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### NEWS SUMMARY

**GENERAL**

## Move to control councils' spending

Within two years, existing machinery for funding local government will be removed and tighter Whitehall controls placed on councils' spending, according to Government plans.

The Local Government, Planning and Land Bill, due out shortly, contains proposals to replace the rate-support grant with a "unitary" grant system by 1981-82.

Councils will be told individually how much they should spend on services and how much they should collect in rates. Back page

**BUSINESS**

## Bank's proposals on assets criticised

**BANK OF ENGLAND** has been criticised by IBRO, the London clearing banks' own research organisation, over some of its proposals for judging the adequacy of banks' capital resources. IBRO says a gearing ratio for prudential control purposes is "unconvincing" and should be dropped. Back page

**PRESSURES** eased within the European Monetary System last week. The Belgian franc, which previously touched its lowest permitted level against the Danish krone, rose off the bottom of the EMS. The krone had been the strongest member since its devaluation at the end of last month, but fell sharply on Friday. The Italian lire, the strongest currency since the system began in March—apart from the last month or so—returned to the top position. The French franc became the second strongest member, helped by higher interest rates in Paris, where call money touched its highest level for three years. The krone declined to third strongest, followed by the Irish punt and the D-mark. The Dutch guilder became the weakest currency, but remained well within its permitted limits against the other members.

**Rhodesia talks**

Vigorous diplomatic efforts to find areas of compromise between Britain and the Patriotic Front Rhodesian guerrilla alliance gathered pace with Mr. Michael Mandley, Jamaican Prime Minister, a central figure. Back page

**Abortion march**

Thousands marched through London in a TUC-organised protest against the Abortion (Amendment) Bill, which seeks to reduce the time limit in pregnancy for abortion. Picture, Page 7

**Commuter costs**

Average London commuter will have to work almost a day a week merely to pay his fares if they go up by the expected 20 per cent, said a transport costs working party.

**N-plant fine**

Operators of the Three Mile Island nuclear power station in Pennsylvania have been fined \$155,000 (£73,700) in connection with the accident at the plant last March.

**Callaghan test**

Labour's Left-wing will this week formally oppose the call by Mr. James Callaghan, for wider representation for Labour in the inquiry into the party's organisation. Back page

**Iran oil threat**

Iranian oil industry employees threatened to cut crude exports to the U.S. unless Washington agreed to extradite the former Shah, who is undergoing treatment for cancer in New York. Page 4

**Emigration move**

East Germany has stopped taking payments from Bonn to let political prisoners flee to the West and thus none of the political detainees due for release under a current amnesty will be allowed to emigrate to the West, it was reported in East Berlin.

**UK missile plan**

Government is studying a plan to give the RAF U.S.-supplied Tomahawk cruise missiles to be armed with nuclear warheads and based in eastern England.

**Briefly . . .**

Four golfers holed in one, three at the second hole, at Daventry Golf Club

Manchester became England's first city to get a British Airways shuttle link with Heathrow. Page 7

Christie's three-day New York sale of art nouveau and art deco totalled \$2.5m (£1.2m).

Soldier was killed and two policemen wounded by gunmen outside a west Belfast police station.

Armed men scoured hills near Loch Ness, Highland, after a farmer reported a lioness hunting his horses.

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# South Korea puts armed forces on alert 'for survival'

BY CHARLES SMITH IN SEOUL

South Korea's armed forces were placed on alert yesterday following the dramatic assassination of the country's dictator for 18 years.

The sudden death of President Park Chung Hee has left the country in a state of shock. Last night Mr. Choi Kyu-Ah, the Prime Minister, who took over as acting President, appealed for calm to the country's 37m people "to protect the nation and safeguard our survival."

Fears that the hard-line Communist regime in North Korea might exploit the situation were temporarily allayed after a stiff warning from Washington to the North Koreans not to intervene and the placing of the 38,500 U.S. troops in South Korea on alert.

President Jimmy Carter followed this up by sending a message to Mr. Choi saying that the U.S. would stand by its treaty commitments to defend South Korea, a country of strategic importance, against attack under the two countries' mutual defence pact.

There were no signs of unrest in the capital, Seoul, yesterday apart from stationing of troops outside key government buildings. But the situation in a country which has witnessed rapid economic growth, has attracted enormous foreign investment from the West, remains a focus of East-West tension, is highly unpredictable.

The immediate question must focus on the struggle for the succession and whether the army moves to seize control in the power vacuum created by the killing of President Park.

Mr. Choi was arrested after the incident, in which six people died. Mr. Kim, a close associate of President Park, was being questioned last night by a special martial law command set up after the killing.

**Shooting**

The martial law administration said that President Park was killed in a "premeditated conspiracy" by Mr. Kim and not, as earlier claimed, in an "accidental clash" with the head of the Presidential bodyguard, Mr. Cha Chi Chol.

Mr. Kim's motive for shooting President Park is described as anger at criticisms levelled at his service for its "poor handling" of internal security problems.

This would appear to link the killing with large-scale riots 10 days ago, in the port of Pusan after, and to some extent because of, Government measures to suppress a campaign for constitutional reform by the increasingly powerful

Opposition New Democratic Party.

The intelligence agency, whose budget and manpower are a closely guarded secret, has overall responsibility for security in South Korea and for monitoring events in the Communist North.

Its functions appeared to overlap with the Presidential security service, a small élite body directly responsible for the President's safety.

Arguments over security enforcement policy between the intelligence agency and the Presidential security service are known to have grown increasingly bitter in the last few weeks.

During the quarrel at a dinner party last Friday, Mr. Kim is said to have gone to his office to fetch a pistol, with which he later shot both the President and Mr. Cha.

Other members of the President's bodyguard were shot by intelligence staff men on Mr. Kim's instructions, according to the martial law administration.

The acting President, Mr. Choi, must hand over within three months under the constitution to a successor chosen by an electoral college, the National Conference for Unification.

Given the weaknesses of the electoral system the real task of choosing a successor to President Park may fall on the army.

Reactions, Page 2  
Editorial comment, Page 18

**CBI expects industrial decline to get worse**

BY JOHN ELLIOTT, INDUSTRIAL EDITOR

A WARNING that the decline in industrial output which began in the summer is expected to worsen significantly in the next few months will be issued tomorrow by the Confederation of British Industry.

Reporting on the results of its quarterly industrial trends survey, the CBI will warn about the impact of the high level of the pound on manufacturing industry, which finds that UK prices are an increasingly serious constraint on overseas markets.

These survey results will underline the concern which industrialists will express at the CBI's annual conference, opening next Monday in Birmingham. A critical motion has been tabled by the National Farmers' Union on Government policies and level of sterling.

The NFU has yet to decide how hard to push this line, and there are bound to be many industrialists at the conference who put their support for the Government above their worries about the levels of sterling and interest rates.

But the debate will be influenced by the sombre tone of this week's trends survey, which shows that the increase in output that followed last winter's strikes has fallen away.

Some companies are enjoying temporarily higher output as they recoup production losses caused by the engineering pay dispute, but this is not expected to have major impact.

The survey results were discussed at a gloomy meeting of the CBI's economic situation committee on Friday, when considerable concern was expressed about the high level of pay claims and settlements, and about risks of strikes this winter in the wake of the engineering and television disputes.

Two weeks ago Sir John Meth-

**TREASURY FORECAST**

Metal-using industries in the U.K. will suffer a sharp decline in the next few years with production of motor vehicles falling 21 per cent and mechanical engineering 23 per cent, reveals a confidential Treasury report. Back Page

**Row between banks could put Chrysler rescue attempt at risk**

BY STEWART FLEMING AND IAN HARGREAVES IN NEW YORK

A ROW between major U.S. and Foreign Banks is threatening the U.S. Treasury's efforts to find a solution to the problems of the ailing Chrysler car company.

Leading U.S. banks are deeply concerned that the burden of any rescue package should be shared by all the banks involved. Some are also adamant that concessions should be made to Chrysler by its long-term lenders, which include the Prudential Assurance Company.

The U.S. Treasury has said it will complete its long deliberations on a request from Chrysler for \$750m in loan guarantees by the end of this week, or early next.

But it is approaching this deadline aware of an embarrassing, and for Chrysler potentially critical, rift among the company's more than 250 bankers. The first public sign of this split may appear tomorrow, when a congressional sub-committee, reviewing the Chrysler case, takes evidence from the company's banks.

Although no details have been announced of witnesses for the session, it is virtually certain that Mr. John McCallister,

chairman of Manufacturers Hanover, Chrysler's lead bank, will take the stand first.

He has already been told in strong terms by several other major U.S. banks that he can speak only for his own institution.

The reasons for the divergence of views are primarily philosophical, with some banks taking the view that Chrysler should pay the penalty for failing to compete in the open market.

Manufacturers Hanover, which has been closely involved with Chrysler for many years, is taking a strongly pro-Chrysler stance.

Citibank appears to be firmly in the opposite camp.

The banks have been wrestling with this issue for months. But feelings are becoming more bitter now that the Treasury has indicated that it expects the banks to be prepared to convert their loans to Chrysler into preferred stock holdings. This would reduce the security of the banks' credit and could well mean them forfeiting dividends for a period while Chrysler is short of funds.

More controversially, the Treasury has also hinted to the banks that it would like them to extend further credit to Chrysler and some banks are said to be adamantly opposed to this.

In total, Chrysler has about \$2.1bn of debt, of which \$800m is with the banks and \$1.5bn with other institutions.

The bank debt is evenly split between U.S. and foreign banks. In addition, Chrysler Financial—a subsidiary which finances dealers and retail car buyers—has banked credit facilities of around \$3bn.

The most acrimonious issue arises because the smaller U.S. banks involved have already started trying to pull away from Chrysler, as they have done in previous financial crises affecting other major companies.

At the same time, the big U.S. banks are worried that foreign banks are less prone to leverage by the Treasury to a time when even the most anti-Chrysler of the big American banks feel it will be under virtually irresistible pressure to go along with the Treasury for reasons of good statesmanship.



The shooting of President Park Chung-hee and its political repercussions are expected to be high on the agenda of the talks that Chairman Hua Guofeng, the Chinese leader, will have with Mrs. Margaret Thatcher at Downing Street today, writes David Housego.

Chairman Hua, pictured above with Mrs. Thatcher at Heathrow Airport yesterday, will have two working sessions with the Prime Minister during his week-long visit. Outside London, he is scheduled to see the Rolls-Royce plant and the British Rail Technical Centre at Derby and to have tea with Mr. Harold Macmillan, the former Prime Minister, in Oxford.

The Government will be anxious to get the Chinese to use their influence in North Korea to press restraint on the North Koreans against interfering in the affairs of the south. Chairman Hua has visited North Korea and can be expected to reflect Chinese concern that the Russians do not exploit the tensions in the south to their advantage.

Britain will be anxious to impress on Chairman Hua the danger that Chinese support for guerrilla movements in southern Africa could jeopardise any settlement in Zimbabwe Rhodesia. The Chinese have been providing arms for Mr. Robert Mugabe's ZANU movement. Mrs. Thatcher is expected to point out Britain's shared interest with the Chinese in weakening Russian influence in Africa.

Chairman Hua will find Mrs. Thatcher a far more positive ear to his anti-Soviet fears than he did with either Chancellor Schmidt or West German or President Giscard d'Estaing of France. It remains to be seen how he will openly voice them and how Mrs. Thatcher will respond. Men and Matters, Page 18

# Bonn backs British EEC budget claim

BY JONATHAN CARR IN BONN AND ELINOR GOODMAN IN LONDON

WEST GERMANY is ready to help Britain in its efforts to cut its net contribution to the Common Market budget. But it believes that if the London Government sets its sights too high, a compromise between all EEC members on the topic could prove impossible this year.

This is expected to be the German message when Chancellor Helmut Schmidt holds talks with Mrs. Margaret Thatcher in Bonn on Wednesday. Mrs. Thatcher has already made it clear she expects decisions on the budgetary problem to be taken no later than the EEC summit in Dublin at the end of next month.

She is likely to repeat this tough view in Bonn on Wednesday. It appears she is unlikely to make any concession, in public or in private, to the widespread view on the Continent that she is leaving herself too little room for manoeuvre by adopting such an inflexible attitude.

Bonn Government officials fully accept the calculation that Britain will be by far the

biggest net contributor to the EEC next year (to the tune of around £1bn) and agree that the balance should be corrected.

But they also stress that it will be more difficult to find a solution if the issue is played up in public and member governments lock themselves into positions from which they will find it hard to back down without loss of face. It is felt that Britain may recently have done itself a disservice in this respect.

West Germany's own informal contacts throughout the late summer and autumn have shown that other governments, including the French (who will also be net contributors next year), and the Danes, are less willing than Bonn to move far to meet Britain's case. It is feared that unless the outline of a reasonable compromise is assembled before the Dublin summit, that meeting might run out of control and bring no solution at all.

This view is shared in Brussels, where the Commission is

broadly sympathetic to Britain's plight. The Commission is expected to finalise its proposals for remedying the problem on Wednesday. It was being argued last week that its task would be made easier if Britain would privately give some indication of the size of reduction in contribution ministers realistically expected to get out of the Dublin negotiations.

So far, ministers have apparently stuck to their demand that Britain's contributions should be brought into "broad balance" in their discussions with representatives of other governments as well as in public statements.

The view in Whitehall, however, is that other governments are being unrealistic in expecting Britain to reveal its negotiating position, even privately, before the negotiations open in full. It is pointed out that it would be out of character for Mrs. Thatcher to concede the possibility of failure in advance. Her European colleagues must get used to the idea that she does not say one thing to her

Continued on Back Page

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**FINANCIAL HIGHLIGHTS (March 31, 1979)**

AT THE YEAR END	in millions of Yen	in millions of US\$
Total Assets	¥12,604,028	\$60,220
Deposits	9,049,472	43,237
Loans and Bills	7,133,796	34,084
Net Profit (Before Tax)	83,100	426
FOR THE YEAR ENDED		
Operating Income	650,255	3,107
Operating Expenses	586,941	2,804
Operating Profit	63,314	303
Net Profit (After Tax)	48,388	265

(Yen amounts are converted into U.S. dollars at the rate of ¥239.20 as of March 31, 1979)



CRISIS IN KOREA

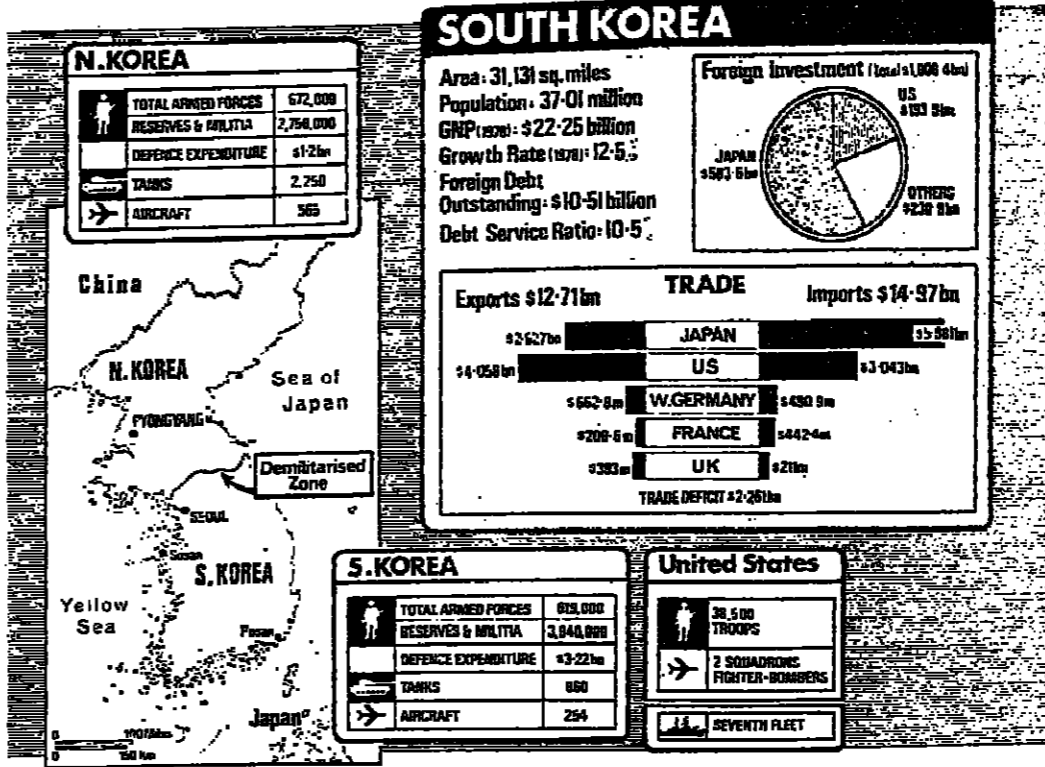
Deep divisions lead to the shooting of President Park

ALTHOUGH responsibility for the killing of the uncompromising anti-communist President Park Chung-hee last Friday seems to rest with the head of the extremely powerful Korean Central Intelligence Agency...

The situation in South Korea is assessed by Charles Smith in Seoul, Jurek Martin in Washington and David Housego in London.

For the breakdown of internal security between the Korean Central Intelligence Agency (KCIA) and the President's alternative personal Security Service almost certainly led directly to last Friday's gun battle in which the President was killed.

early this year. What appears to have unleashed popular resentment about the situation was the outcome of two recent elections for the National Assembly in December 1978 and the leadership of the Opposition New Democratic Party this spring.



Government at first tried to ignore this but it later provoked sharp official reaction. Government action against Mr. Kim began in the late summer with the instigation of a court case challenging the legality of his election as leader of the New Democratic Party.

Kremlin seeks to exert restraint

IT IS thought highly unlikely that the Kremlin, for fear of U.S. Senate defeat of the SALT-II treaty and damage to other foreign policy goals, would encourage North Korea to seek any advantage from the turmoil in South Korea following the assassination of President Park Chung-hee...

Diary of events in Korea

- 1945 Japanese rule ends after 36 years. Russians occupy north. Americans occupy south. Unification planned after free elections but rival governments set up.

Attitudes to Seoul undergo reappraisal in Washington

TEN DAYS ago, in Seoul, Dr. Harold Brown, the U.S. Secretary of Defence, sought to resolve an apparent ambivalence in U.S. attitudes and policies towards South Korea.

assumes new significance in the wake of the assassination of President Park Chung-hee. Over the weekend, U.S. officials here were able to throw little light on the circumstances of President Park's demise.

directing the Korean economic renaissance. This force supports the 525,000 strong South Korean army.

surface-to-air missile. The force supports the 525,000 strong South Korean army. In the event of an invasion from North Korea, invoking the obligations of the mutual defence treaty, it would be supplemented by the air and naval strength of the U.S. Seventh Fleet and from the Pacific division of the marine corps.

When Mr. Carter assumed office, he did so on a campaign promise substantially to reduce American forces in Korea. But in the last year there has been a re-evaluation by the U.S. intelligence community of the build-up in North Korea's military forces.

summer, Mr. Carter publicly urged his host to cut back the repression that had marked his regime. Mr. Carter also made a point of conferring with President Park's opponents.

Protectionism compounds the problems of inflation

THE SHOOTING of President Park comes at a time when South Korea is experiencing the first major setback to its record of high economic growth over the past 15 years.

As a result of a worryingly high rate of inflation and the slowing down of exports both because of a loss of competitiveness of Korean industry and protectionism abroad, the government early this year adopted a deflationary policy of slower growth and tight controls on the expansion of the money supply.

Restrictions in the U.S. market in particular, which absorbs 31 per cent of Korean exports, have added to the country's present economic troubles.

with interests extending from shipbuilding to electronics and with close ties to the military and bureaucratic elite. The trading houses accounted for 32 per cent of exports last year.

They include Bank of America, Citibank, Chase Manhattan, Lloyds, Barclays, Bank of Tokyo, Bank of Fuji, American Express, Morgan Guaranty, Daiichi Kangyo Bank, Credit Lyonnais, Bank of Montreal and Grindlays.

now about \$944—high even for the newly industrialised world. Because of the regime's emphasis on the rural sector, this has been more evenly distributed than in most countries. It has only been in the last year that the rich appear to have embarked on a spending spree which has exacerbated social tensions.

OTHER OVERSEAS NEWS

Byrne to endorse Kennedy

By Jurek Martin, U.S. Editor in Washington. MRS. JANE BYRNE, mayor of Chicago, is to endorse the Presidential candidacy of Senator Edward Kennedy...

Budget shortfall may strengthen hand of Europe Parliament

MEMBERS of the European Parliament are hoping to use a shortfall in the Community's approved budget for this year as a way of persuading the Council of Ministers to accept the Parliament's proposed changes in the 1980 Budget.

Barre to go back to work

M. Raymond Barre, the French Prime Minister, will resume his official duties today, after his discharge from hospital at the weekend, Terry Dodsworth writes from Paris.

'Only 3 nations could build bomb'

ONLY THREE potential new nuclear weapon countries—South Africa, Israel and India—could have accumulated sufficient explosive material to make an atomic bomb.

opened to international inspection all their nuclear facilities of which the agency is aware. The seven are Argentina, Brazil, Chile, Colombia, North Korea, Pakistan and Turkey.

acquire from the Soviet Union will be open to international inspection, even though Cuba does not intend to sign the non-proliferation treaty.

# Japan's car industry 'must reappraise its world-wide role'

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT

THE JAPANESE motor industry is approaching a critical phase in its development which will require a fundamental reappraisal of its role and position world-wide, according to a report from the Economist Intelligence Unit.

Quite soon the passenger car sector will enter a period of zero growth, and there will be growing pressure on the manufacturers to establish assembly facilities in their major markets," comments the EIU in the quarterly, Motor Business.

Pressure will be put on the Japanese to establish assembly facilities in North America and in Western Europe in particular.

"The movement of final assembly (of cars) to their principal markets will be a result not so much of political pressure—although that is a not inconsequential consideration—but of economic circumstances. The value of the yen has appreciated to the extent that there is a danger of Japanese cars becoming uncompetitive, notably in North America where they are already competing less on price and more on quality, reliability and suitability."

The EIU points out that there is widespread evidence the Japanese manufacturers are already switching the emphasis

# Egyptian PM's attack on Press adds to doubts over contracts

BY ROGER MATTHEWS IN CAIRO

EGYPT'S Prime Minister Mustafa Khalil has publicly rebuked the state-controlled Cairo Press for its reporting of his efforts to sign a major housing contract with Austrian and European companies.

In a television interview Dr. Khalil said that he was only a third of the way through the negotiations and that the figures mentioned—600,000 housing units to be built in three years at an overall cost of \$1.5bn—were inaccurate.

Last week the Egyptian Press had also reported a new arms agreement with the U.S. under which missiles, tracked vehicles and a range of other equipment would be produced locally. This has been privately denied by U.S. sources.

President Anwar Sadat meanwhile continues to refer to negotiations over a \$5bn long-term contract for the sale of Sinai

# Firm bulk carrier market

By William Hall

THE LATEST figures for world steel production help to explain the recent firmness in the bulk carrier market. Output in September was 3.6 per cent up on last year and in the EEC it was 7.5 per cent higher.

Admittedly, Japanese production is expected to decline slightly during the last quarter of 1979 but even so its annual production should exceed 110m tons for the first time in five years.

The buoyant demand for raw materials continued to keep charterers busy last week, especially in the Atlantic. However, Galbraith Wrightson report that rates were no better than the week before. A cargo of 50,000 tons of coal from Hampton Roads to Italy fetched \$12.50 a ton while a cargo of 200,000 tons of ore from South Africa's Saldanha Bay to Rotterdam commanded \$7.75 a ton.

# UK sees oil as key to boost Soviet trade

BY DAVID SATTER IN MOSCOW

MR. CECIL PARKINSON, the Minister of State for Trade, said at the weekend that there should be good prospects for British exporters in the major Soviet oil exploration effort which will be incorporated into the 1981-85 five-year plan.

Mr. Parkinson said that the eighth meeting of the Anglo-Soviet Joint Economic Commission had focused on the need to increase trade between Britain and the USSR.

Recent studies have indicated that with Soviet oil production showing signs of running down, the Soviet market for offshore exploration equipment alone is likely to reach \$24bn (£11.5bn) over the next decade.

The Joint Commission meeting included discussions with officials in the Soviet gas ministry of possible co-operation in oil exploration in the Barents Sea.

There was agreement to set up a committee to discuss general co-operation in the field of energy.

Other areas where British exporters might make inroads in the Soviet market were said to be automotive parts, agricultural chemicals and advanced civil engineering equipment.

Mr. Parkinson said that both sides agreed on the need to date the existing long-term economic co-operation programme, signed in 1975, in order to make it conform better to present economic needs.

# French win £14m Azores hotel deal

BY JIMMY BURNS IN LISBON

PORTUGAL has negotiated an Escudos 1.5bn (£14m) contract with Creusot-Loire, the French industrial group, for the building of two luxury hotels on the Azores.

The scheme is to be largely financed by the Banque de Paris and has the additional guarantee of two Portuguese banks, Caixa Geral de Depositos and Banco Sotto Mayor.

The contract is expected to help stimulate tourism on the Azores. Its approval by Portugal's Foreign Investment Institute forms part of an overall plan to diversify Portugal's main tourist trade away from the Algarve and Lisbon.

# Henry Ford warns of need to invest in U.S.

BY IAN HARGREAVES IN NEW YORK

MR. HENRY FORD has told the Japanese motor industry that it must invest in U.S. car makers or face restrictions on its right to export vehicles to the U.S.

Speaking in Japan at the official formalisation of the Ford Company's recently announced acquisition of a 25 per cent stake in Toyo Kogyo, producer of Mazda cars, Mr. Ford warned the Japanese that the existing imbalance in U.S. Japanese trade was no longer acceptable.

"The three largest American car companies now have major investments in Japan. Why are there no similar Japanese investments in the U.S.?" Mr. Ford asked.

Mr. Ford who resigned from his position as president of Ford earlier this year but continues to play a role in the company's international affairs, said that this year the U.S. deficit in automotive trade with Japan would account for one third of the

total U.S. trade deficit in all products with all its trading partners.

Last year Japan had exported over \$17bn worth of motor vehicles and parts, \$8bn of which was to the U.S. But it had taken only \$200m of U.S. automotive goods in imports in the same period.

There were only two solutions Mr. Ford suggested to the problem. The first would involve the U.S. following the course of some European countries by restricting imports of Japanese vehicles.

The alternative, which was "far preferable" said Mr. Ford, was for the Japanese to follow the European example and invest in the U.S. car industry, Japanese manufacturers in other industries had already done this and it was time the Japanese vehicle industry recognised the legitimate anxieties of the U.S. car companies about employment.

# VW move in Argentina

WOLFSBURG — In a statement of intent to the Argentine Government, Volkswagenwerk has indicated that it would like to acquire an interest in Chrysler Fevre Argentina, a car-manufacturing affiliate of Chrysler of the U.S.

This follows several months of exploration of the Argentine car market by the West German car maker, according to a company spokesman who declined to give further details on Volkswagen's plans in Argentina.

However, Volkswagen is reported to be seeking a controlling interest in Chrysler Fevre

“We will make electric light so cheap that only the rich will be able to burn candles.”

THOMAS ALVA EDISON, OCTOBER 1879

“We will make electric light so energy-effective that only the irresponsible will continue to burn the world's candle at both ends.”

LIGHTING DIVISION PHILIPS, OCTOBER 1979



Edison's incandescent bulb had none of these faults. And to fulfil its destiny he laboured three further years, following his own precept that genius is 99% perspiration, inventing the lamp-socket, the electric fuse, the variable output dynamo, the underground power cable, the central power station and the whole concept of an electricity supply system.

Then in September 1882, he threw the switch that set thousands of his 40c 16-candle power bulbs blazing above the sidewalks and in the houses of 85 enraptured pioneer subscribers in and around Pearl Street, New York. He had switched on the world. Electrification would bring industrial development, commercial expansion, comfort at home, safety in the street; a leap forward into the light for all mankind. But could anyone have imagined that there were big shadows ahead?

BLACKOUT

In December 1973, the lights started going out all over Europe in phased blackouts designed to save the fuel resources threatened by war in the Middle East.

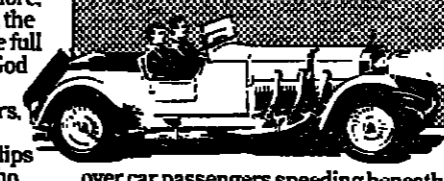
Between then and February 1974, homes, offices, shops, factories, schools and even some hospitals in England found themselves in abrupt darkness for hours at a time.

Electric lighting accounts for only 5% of an industrial nation's energy consumption, but its instant controllability makes it an obvious area of saving, either forcible or voluntary. During the Energy Crisis, thoughtful people looked up and wondered which lamps they could switch off and which lamps might or might not be doing the best possible job with the electricity they were using.

After more than 90 years, the World had stopped taking Edison's light for granted.

GOD WILL PROVIDE

In the Victorian heyday of Edison's invention and the Edwardian age and the



World War, also showed things in strange and harsh colours as a necessary sacrifice to efficiency.

Philips produced a fluorescent lamp in 1974 with colour rendering qualities virtually up to art gallery standards, yet which allows users to replace three existing lamps with two new ones, saving something like 33% on energy. (Permitting one store chain, for instance, to cut 12 million kilowatt hours from its power bills.)

Uncontented, last year Philips released the further improved TL D80 range which uses 10% fewer watts but maintains the same high lumen output. Now also with standard colours!

But lamps are only part of the story. Philips Research Laboratories & L.I.D.E.C., the Philips Lighting Design & Engineering Centre at Eindhoven, continue to evolve new and better

Lamp	Light output in lumen	Energy consumption of lamp in watts	Lumen per watt
Incandescent	1280	100	13
Incandescent Halogen	1700	100	17
Incandescent Halogen Auto	1900	60	25
Blended Light HL	3150	160	20
Fluorescent TL 80 (38mm)	3400	40	85
Fluorescent TL D80 (26mm)	3450	36	96
Mercury HPLN	23000	400	58
High-Pressure Sodium SON	25000	250	100
Low-Pressure Sodium SOX	22000	135	167
Metal Halide HPLT	90000	1000	90

# Faster growth for British investment in U.S. seen

BY MAURICE SAMUELSON

SMALL AND medium-sized British companies are missing investment opportunities in the U.S. because of foresight or excessive anxiety about the complexities of legislation there.

Mr. John Forry, author of a new handbook for would-be corporate investors in the U.S., said smaller UK companies were often content simply to sell technical know-how in the U.S. instead of licensing it there themselves or even forming joint ventures with U.S. enterprises.

However, he forecast that British investment in America, which already far outstrips that from other countries, would grow all the faster following yesterday's removal of the last British currency exchange controls.

The growth of investment in America by British and other European companies, he said, was out of all proportion to the success of the European countries' economies and reflected the astuteness of British and Continental businessmen.

Mr. Forry's book was launched at the United States Embassy, where officials pointed out that there was no U.S.

# PEARL STREET IS ABLAZE

Massively wasteful electric arc lights had been spitting spectacular volages through the night skies of Paris and London since the 1860s, gobbling up francs, pounds and waits and temporarily blinding careless beholders. These arc lights were inconceivably big, brutal and too greedy for any parlour or office interior.

Edison's incandescent bulb had none of these faults. And to fulfil its destiny he laboured three further years, following his own precept that genius is 99% perspiration, inventing the lamp-socket, the electric fuse, the variable output dynamo, the underground power cable, the central power station and the whole concept of an electricity supply system.

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GOD WILL PROVIDE

In the Victorian heyday of Edison's invention and the Edwardian age and the

# THE FIGHT OF THE CENTURY

THE LUMEN v. THE WATT

Just as string is measured in centimetres, so the quantity of light a lamp gives is measured in lumens, and the electricity to run it is measured in watts. The lumen is what you enjoy and the watt is what you pay for.

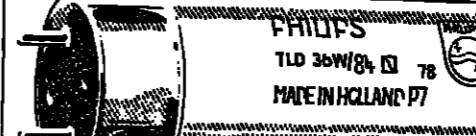
Edison's carbon filament lamp yielded only 3 lumens per watt, converting a mere 0.56% of its energy into light. It was a miracle, but it wasn't good enough.

The Philips extruded tungsten filament lamps of 1907 more than doubled efficiency to 12.8% and luminous efficacy to 18 lumens per watt. The drawn tungsten wire filament of 1909 burned as brightly and as cheaply, but was 'unbreakable' when Philips coiled the tungsten wire and replaced the vacuum inside their lamps with inert argon gas in 1913, output shot up to a dazzling 12 lumens per watt. In 1933, the coiled filament became the coiled coil filament and efficiency zoomed by another 20%.

Special lamps with interior mirrors and reflectors afforded yet higher levels of illumination for display & home lighting purposes—at no extra running cost. And in 1959 a whole new breed of more compact incandescent lamps was born, containing halogen instead of an inert gas, again more efficient, producing up to 20 lumens per watt, twice as long-lived and able to maintain full performance throughout life. As car headlamps, projector lamps, display lamps & floodlights, they shine as none have ever done before. Soon, new compact light sources, with up to 50 lumens per watt, can be expected.

DAYLIGHT

Meantime, gas discharge lamps which didn't use a filament at all but which produced colossal quantities of light for far longer periods with much more economical running costs, were being developed by the same small group of innovative companies. Visitors to The Hague in 1932 were amazed to see each other apparently coloured yellowish-orange from head to foot beneath Philips strange but superbly efficient new sodium discharge street light.



daylight—at an efficiency of nearly 100 lumens per watt. YOU HAVE NOTHING TO LOSE BUT YOUR KILOWATT HOURS

The tubular fluorescent lamps that appeared in 1939, along with nylon stockings and

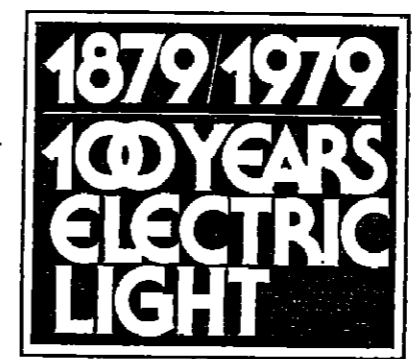
luminaires, new and better control gear (such as the semi-electronic ballasts that now cut 'lost' wattages by 10%) and new and better lighting systems and techniques. All with the same old relentless drive towards greater efficiency that has been Philips' stock in trade and hope for the future since 1891.

"There will never be a last word in the continuing history of electric lighting. The world's fuel resources may dwindle, but so will the demands we make upon them. The need for more light, and better light, will continue to grow. We shall meet it. The two parts of that equation are not irreconcilable. Our Company's whole history proves that. Right at this moment we have lamps to cut consumption of electricity on lighting in the home by up to 70%, in shops and offices by up to 50%, in amenity and security areas by up to 75% and on motorways by up to 70%—if people want them! More important, these savings can be made while maintaining or improving both the quality and the quantity of light.

"But, of course, we shall not stop there. The second century of electric lighting is beginning. Edison's invention is just getting into its stride and at Philips we will not let the problems of oil shortage hold us up. We will offer the World the energy-effective light sources & systems it needs!"

# World Economic Indicators

	INDUSTRIAL PRODUCTION				% Change over previous year	Index base year
	Sep. 79	Aug. 79	July 79	Sept. 78		
J.S.	152.3	151.5	152.4	147.5	+ 3.3	1967=100
Holland	120.0	124.0	124.0	117.0	+ 2.6	1970=100
France	135.0	135.0	132.0	127.0	+ 4.3	1970=100
Germany	106.1	112.9	112.9	108.9	+ 5.2	1970=100
Italy	78.5	132.0	134.8	119.0	+ 7.2	1970=100
UK	11.7	116.5	117.7	112.6	0	1975=100
Japan	131.0	125.9	127.8	116.5	+12.4	1970=100



M.J.L. GOODWIN DIVISIONAL DIRECTOR PHILIPS LIGHTING

OVERSEAS NEWS

Ten die as car bomb explodes in West Beirut

BY IHSAN HIJAZI IN BEIRUT

AN EXPLOSION ripped through a section of the predominantly Moslem West Beirut on Saturday, leaving 10 dead and 32 seriously injured. The blast, caused by 40 kg of TNT connected to a mortar shell and placed in a car, caused widespread devastation, and has further complicated efforts to solve the problems in South Lebanon, on the border with Israel.

The bomb was set off by remote control in the Basta quarter during the rush hour, when Moslems were doing their shopping for the feast of Al Adha next Wednesday. The feast marks the end of the holy pilgrimage to Mecca.

It went off only a few metres from the offices of the Left-wing breakaway "Lebanese Arab Army."

A statement from the organisation said the bomb was aimed at killing Lt. Ahmed Al-Khatib, the founder and commander of the Arab Army. His car was damaged, but he escaped unharmed.

The explosion was the worst incident of its kind in this part of Lebanon since the civil war ended three years ago.

The Arab Army and the Left-wing National Movement accused the intelligence branch of the Lebanese regular army—the "Duxieme Bureau"—of

responsibility. Left-wing newspapers linked it to the problems in the south.

Gen. Chadi Klibi, the Arab League Secretary-General, and Mr. Philip Habib, the U.S. State Department envoy, have recently been trying to firm up a fragile cease-fire between Palestinian guerrillas and Israeli and local Lebanese Christian militias.

The Lebanese Arab Army, which emerged during the civil war now controls the garrison at Nabatiyah, a key post in southern Lebanon. They have refused Government plans for units of the regrouped regular army to be deployed there.

Reuters adds from Tel Aviv: Israeli television on Saturday night showed film of Captain Mohammad Abu Hamine of the Lebanese regular army meeting Major Saad Haddad, the Right-wing militia commander, in Marjayoun yesterday. The Lebanese army commander has denied that the meeting took place, although Israeli reporters said they witnessed it.

In Washington, Dr. Bruno Kreisky, the Austrian Chancellor, on Friday night held out the possibility that the Palestine Liberation Organisation (PLO) might recognise Israel.

He suggested that recognition could be made in the context of a UN resolution.

Israel to move Eilon Moreh site

JERUSALEM — The Israeli Government decided yesterday to seek an alternative site for the Eilon Moreh settlement on the occupied West Bank, which the Supreme Court has ordered to be dismantled.

The Cabinet discussed the settlement, which is near Nablus, during its regular weekly session, but agreed to a request by Mr. Ezer Weizman, the Defence Minister, to postpone until Thursday a comprehensive debate on the matter.

The Israeli Supreme Court last Monday upheld an appeal by Arab landowners against the establishment of the settlement.

Mr. Arye Naor, Cabinet Secretary, described as "mistaken" a statement by Mr. Moshe Dayan, the former Foreign Minister, that the Cabinet had secretly decided to claim permanent Israeli sovereignty over the occupied West Bank and the Gaza Strip.

Reuters L. Danier adds from Tel Aviv: The Cabinet has made no further progress on appointing a Foreign Minister to replace Mr. Dayan. Mr. Yigael Yadin, the Deputy Premier (Democratic Movement), says he does not want the job if the autonomy negotiations continue to be led by Mr. Joseph Bury, the Interim Minister (National Religious Party).

Feature, Page 18

Iran threat to U.S. oil supplies

TEHERAN — Iranian oil industry employees threatened on Saturday to cut crude exports to the U.S. unless Washington agreed to extradite the former Shah, now in a New York hospital.

A statement from the Joint Syndicate of Oil Industry Employees, published in the afternoon newspaper Etef'at, said the Shah had feigned illness to get to the U.S. and continue plotting against the Islamic revolution.

"We call on the provisional government in Tehran to demand the extradition of the Shah under the criminal extradition agreement between Iran and the U.S. and not let this criminal be regarded as an ordinary person," the statement said.

It added: "We warn that if

the government does not take this action... or if America declines to do so, the brave employees of the south (where Iran's oilfields are situated) will reconsider oil exports to the U.S. and cut them off."

The Joint Syndicate comprises mainly of white-collar employees in the National Iranian Oil Company (NIOC). The U.S. receives about 50m barrels of oil a month from Iran.

Mr. Mehdi Bazargan, the Prime Minister, has ordered an investigation into allegations of corruption at high levels in the Commerce Ministry, and has come to the defence of three ministers whose names have been linked with the scandal.

In a statement issued after a Cabinet meeting on Saturday night, Mr. Bazargan said he had asked for a report on allegations that agents of the former

Shah's secret police had plotted within the ministry to wreck Iran's food import programme. It is the worst scandal to hit Mr. Bazargan's Government since its formation, and has brought rumours of a Cabinet reshuffle.

An undeclared ceasefire appeared to be operating in Iran's western province of Kurdistan yesterday as the cabinet met to discuss terms for future peace negotiations.

No serious fighting has been reported since Thursday. The State Radio said the main trouble spots—Mahabad, Bukan and Saqqez—were peaceful.

The Government announced yesterday that the Provincial Affairs Minister had been added to a ministerial team appointed to deal with the Kurdish crisis. Reuter

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(ask for Jacques Vandamme).  
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For general purpose computing, manufacturing administration or automation in the factory and lab, HP computers are extremely

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Need yesterday's production figures right away? HP's powerful data base management system (available on each of the HP computers) includes an enquiry language that lets you generate useful business and manufacturing reports with just a few simple keystrokes.

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IFT 29/10



HP 250 The HP 250 is a powerful small business computer that has an adjustable video screen with eight programmable "soft keys" to make the user feel right at home. Priced from £13,750\* the HP 250 can support five terminals and even act as a terminal for the HP 3000.



HP 300 The HP 300 business computer is specially designed to handle specific departmental jobs like inventory control, marketing data or customer files. Priced from £23,500\* the HP 300 can accommodate 16 users from an innovative display console that simplifies operating and programming the system.



HP 3000 The HP 3000 Family is Hewlett-Packard's most powerful range of computers and uses MPE-III, a multi-programming, multi-user operating system. Series 30—a new addition to the Family—can support up to 32 terminals and is priced from only £27,700\*. Series 33 also supports up to 32 terminals and is priced from £34,000\* while the Series III (Pictured above) supports up to 64 terminals and starts at £62,000\*.

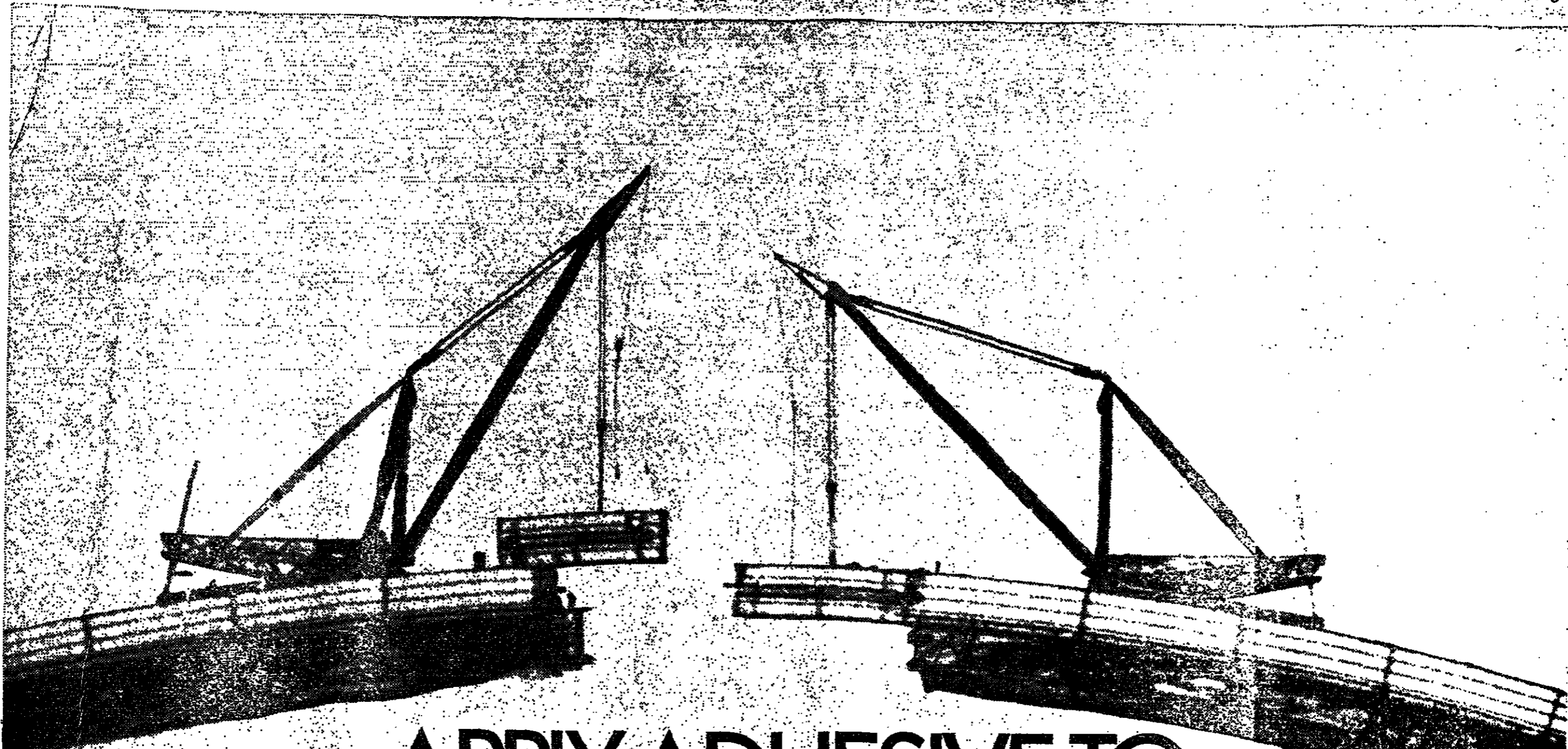


HP 1000 The HP 1000 Systems Family consists of five upward-compatible models (from £12,250\* to £60,000\*) designed to meet the diverse needs of the engineering and manufacturing environments. All use HP's powerful RTE operating systems and the HP-IB interface bus lets you process and control data from over 200 technical instruments.

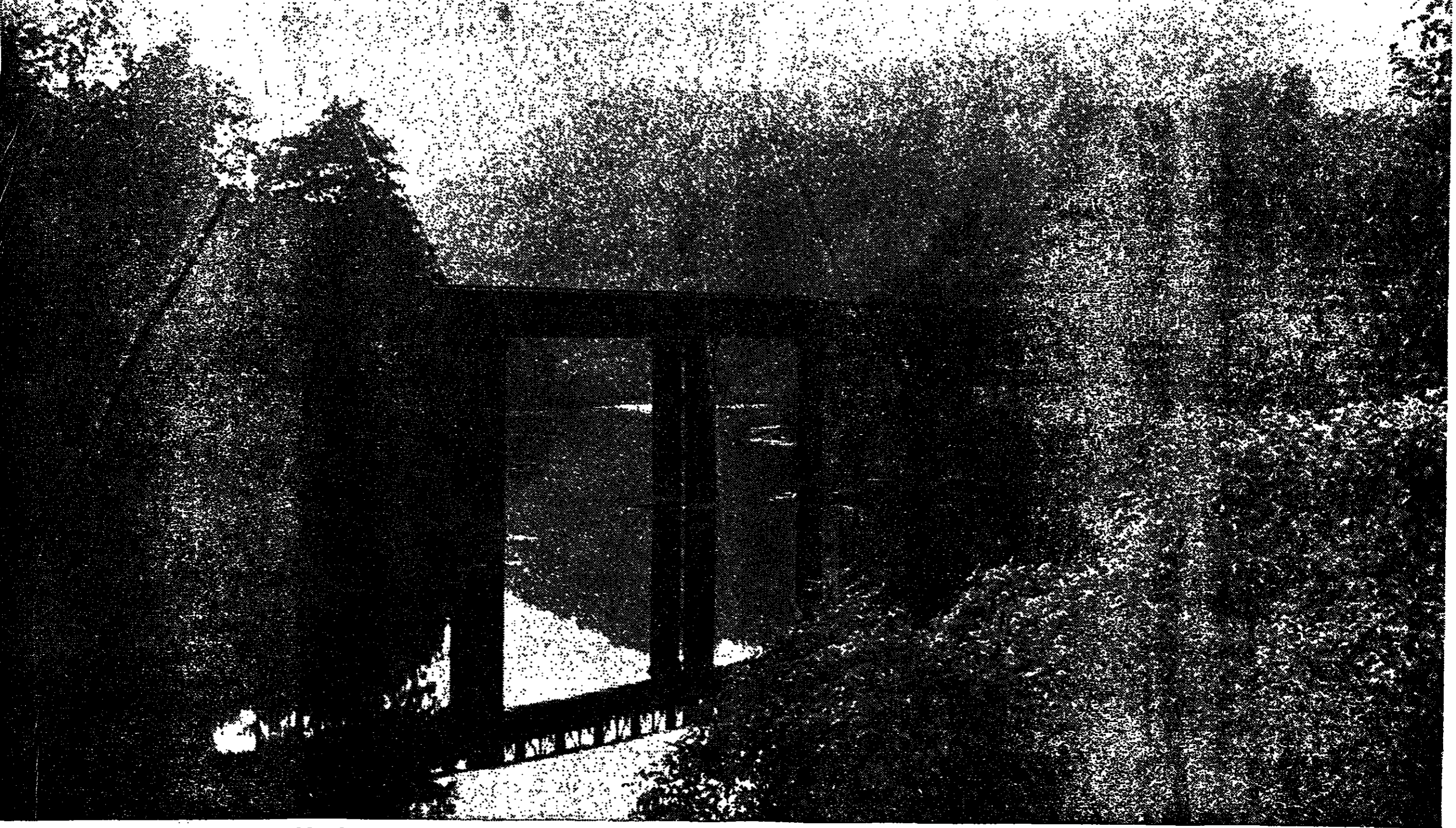
\*Prices correct at time of going to press.

Revol super glue... At the mon... are moving... traditional... even in air... larger stru... In this... are playing... part. Adhes... using





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Replacing rivets and bolts with a super glue may seem a little far-fetched. At the moment. But already adhesives are moving into direct competition with traditional methods of joining materials, even in aircraft and car production. Larger structures could be next.

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**BP chemicals-making it all happen**

Financial Times market data table with columns for various stock indices and prices.

UK NEWS

# Oil exploration 'will be stepped up'

BY SUE CAMERON

A BIG increase in North Sea oil exploration—particularly in the UK sector—is forecast for next year in an authoritative report published yesterday by Wood Mackenzie, the analysts and brokers.

The report, based on a survey of the drilling plans of major oil companies operating in the North Sea, says that the number of wells drilled next year is likely to be 65 per cent up on the figure for 1978. The main reason given by Wood Mackenzie for this renewed enthusiasm for exploration is the rising price of oil.

It says that oil price rises can "radically alter the economics of all North Sea Projects". In particular, they can make small technically difficult oil projects far more attractive commercially.

The expected upsurge in exploration has led a number of the oil majors to charter drilling rigs for longer periods than usual. Over the last few years the oil companies have been chartering drilling rigs for only two or three months but now they are seeking contracts for a year or even longer.

Wood Mackenzie states that British Petroleum, Conoco and Elf have already taken longer-term rig charters and Shell, Texaco and Mobil are seeking similar contracts.

The rates for chartering drilling rigs are now running at about \$6,000 (\$15,000 a day), but the report says many oil companies believe these will rise to \$40,000 a day next year as exploration increases.

"Market pressures could persuade rig owners to move rigs back into the North Sea and should rates continue to rise it is even possible that new rigs could be built," the report says.

"The outlook is considerably more encouraging than appeared a year ago. From the British point of view, it has been argued that with drilling activity at the low levels witnessed in 1978 and 1979, the rate of discovery would be insufficient to match the rate of production, and that the rate of development of new fields would be too slow to halt the production decline forecast for the second half of the 1980s.

"If the projected levels are reached, although not as high as those of the mid-1970s, it would provide in the short term a pleasant boost for all oil-related industries, and potentially, in the longer term, enhance UK oil reserves and production.

● A \$1.75m contract for additional living quarters on the Ninian Field central platform in the North Sea has been awarded to Chariton-Leslie Offshore of Tyne and Wear by Chevron Petroleum, the field's operator.

# Three Mile Island director says public misunderstands

BY DAVID FISHLOCK, SCIENCE EDITOR

THE NUCLEAR industry had greatly overestimated the public's understanding of nuclear power and radiation, a director of the company involved in the U.S. reactor accident last March said in London on Saturday.

Mr. William Murray, a vice-president of General Public Utilities, said his company had learned that it was more important to keep politicians informed of what was happening than the Press.

He "estimated" that only one in 100 of several hundred people reporting the accident had "the faintest idea of the technical problems involved."

But almost everyone reporters contacted, "whether he was the maintenance man, a health physicist, a driver or guard," was willing to respond, and was quoted as an "official spokesman," said Mr. Murray.

The report of the Kemen Presidential Commission on the accident is expected to be delivered to the White House tomorrow.

Mr. Murray, whose group is the parent of Metropolitan-Edison, owners of the damaged Three Mile Island reactor, analysed the lessons for what he called "crisis communications" learned from the accident for a conference of public relations consultants in London.

He illustrated the depth of the problem for his own company by quoting a politician who said that he would never endorse reopening a reactor until he could be assured that not one radioactive atom would ever escape again.

Normally, man-made disasters such as explosions or air crashes were over quickly and the consequences soon known. But the nuclear accident had stretched over several days, which greatly heightened the psychological impact.

"We didn't know the precise extent of the accident or how long it might go on, not because information was withheld but because of the nature of the accident itself and the inability of the technicians themselves to assess these facts for several days."

Coincidence also heightened the effect. A local paper had just finished a sensational series of front-page stories on the threat by the reactors on Three Mile Island.

A Harrisburg monthly had published a fictional scare story about a nuclear accident on the island. The film The China Syndrome had just been released.

# Practice code urged for accountants in industry

BY MICHAEL LAFFERTY

SENIOR CHARTERED accountants in industry are being asked to urge their companies to develop corporate codes of good practice.

Such codes would cover matters such as payments for obtaining business abroad, foreign exchange and commodities dealing, the supply of safe goods and insider trading.

A discussion paper has been published by the London Society of Chartered Accountants, the largest of the English Institute of Chartered Accountants' constituent societies.

The paper proposes several ethical guidelines. They include:

- Accountants in industry or commerce should not knowingly mislead or misrepresent facts to colleagues or others in any of their activities, and should use due care to avoid doing so unintentionally.
- "Such accountants cannot always be required to be objective; their organisation makes it impossible and undesirable for them to act impartially as between their own and other organisations."
- Accountants should not ignore the illegal or unethical acts of others, if because of their position, they would normally be considered to have some responsibility for such acts.
- In extreme circumstances, the notification of such acts to an appropriate authority within the organisation may be inadequate to resolve the problem satisfactorily. They may feel that they have no alternative but to notify an appropriate external authority or to resign their position.

Copies are obtainable, free of charge, from the London Society of Chartered Accountants, 38, Finsbury Square, London EC2A 1PX.

# N. Ireland talks on Learfan contract

By Our Belfast Correspondent

THE NORTHERN Ireland Department of Commerce said yesterday it was talking to Learfan of the U.S. about the possibility of building the 10-seater Learfan aircraft in the province.

The project could employ 1,700 people when it is in full production.

Learfan's plans are understood to be for an assembly plant producing the basic aircraft which would be taken to the U.S. for furnishing and fitting with electronics.

Northern Ireland could offer substantial grant aid for a factory and could hold equity in a locally registered manufacturing company. A similar agreement was made last year with the De Lorean motor company for a factory in Belfast assembling sports cars. The project represents a Government investment of £33m for about 2,000 jobs.

There have been no discussions between Lear and the Department of Commerce on aid. Basic information has been exchanged with the Northern Ireland team emphasising the level of grants and the availability of skilled labour.

# Bank calls for data aid after lifting of exchange control

BY MICHAEL LAFFERTY, BANKING CORRESPONDENT

THE BANK of England has asked banks and the Stock Exchange to continue providing data essential for compilation of balance-of-payments statistics.

This is necessary because abolition of exchange controls has removed the statutory basis on which such information was collected.

Letters asking for continued co-operation were sent last week to the British Bankers' Association and the Stock Exchange.

The Bank said that this was only an interim arrangement pending adoption of simpler statistical forms. The information the Bank seeks on a voluntary basis includes professional securities dealings by overseas residents, transactions for UK residents on overseas markets and vice versa.

Banking statistics are not affected by the exchange control move.

# Short but severe recession forecast for next year

BY PETER RIDDELL, ECONOMICS CORRESPONDENT

OUTPUT in the motor vehicle and instrument and electrical engineering industries is expected to fall sharply next year, according to new medium-term forecasts published this morning by Cambridge Econometrics.

The group projects a short but severe recession next year with the inflation rate—down from 16.1 per cent next year to 9.8 per cent in 1981 and 8 per cent in 1982.

Much of the pressure on the gilt-edged market as a result of the high level of public sector borrowing of recent years will be eased over the next few years as North Sea oil revenues build up. Borrowing as a percentage of Gross Domestic Product is expected to decline from 5.3 per cent this year to 3 per cent by 1982.

The group is not connected with the work of the Department of Applied Economics at Cambridge under Mr. Wynne Godley.

**Less pessimistic**

Cambridge Econometrics is less pessimistic than many other forecasters about the medium-term outlook. Total output is projected to decline by 1.3 per cent in 1980, mainly as a result of falling private consumption and fixed investment, but then to recover by 1 per cent in 1981 and to grow steadily thereafter, partly in response to a lower rate of inflation.

However, unemployment could rise from an average of 1.3m in 1979 this year to 1.8m in 1980 and 2.1m in 1981.

All major industrial sectors apart from energy are expected to contract next year as a result of slowing world demand, the high exchange rate and the run-down of stocks.

**Severe problems**

Engineering is likely to have a longer and deeper recession, with declines in output of 9.3 and 2.9 per cent in the next two years.

Motor vehicle output is projected to drop by 12.8 per cent next year with falls of 10 per cent in both instruments and electrical engineering.

The group believes that the tighter monetary policy now being pursued will create severe cash flow problems for many industries next year but it may be an essential ingredient in the subsequent decline in the inflation rate—down from 16.1 per cent next year to 9.8 per cent in 1981 and 8 per cent in 1982.

**Held down**

This should mean that monetary growth can be held down without incurring the high interest rates of today. Minimum Lending Rate should decline from an average of 13.5 per cent this year to 13 per cent in 1980, 10 per cent in 1981 and 9 per cent in 1982.

Public sector debt sales to the non-bank private sector should fall from 5 per cent of Gross Domestic Product this year to 3.8 per cent next year, 3.4 per cent in 1981 and 2.7 per cent in 1982.

The forecast assumes no change in VAT, but that the basic rate of income tax—now 30p in the pound—will be reduced by 2p annually for the next three years.

Between 1980 and 1990 real output growth is expected to average 1.7 per cent, consumer spending growth 1.4 per cent and price inflation 8 per cent.

The current account of the balance of payments should be in neither surplus nor deficit over the decade as a whole with modest surpluses in the early 1980s.

Industrial Planning for the 1980s, Cambridge Econometrics, PO Box 114, 21, St Andrews Street, Cambridge CB2 3RW.

## Commercial and Industrial opportunities in London:

# "WHICHEVER WAY YOU LOOK AT DOCKLANDS IT'S ALL STARTING TO COME TOGETHER NOW."

*Ciff Michelmore*

"The five and a half thousand acre Docklands Development Area is really on the move now. Over £200 million is being spent in the next three years alone on housing, transport and other new projects. And there are many new schemes to encourage commerce and industry to the capital. The London Industrial Centre, the main information source for new schemes, provides a free advisory service on business opportunities throughout the whole GLC area. See for yourself some of the progress that has been made in the last eight months in Docklands alone."



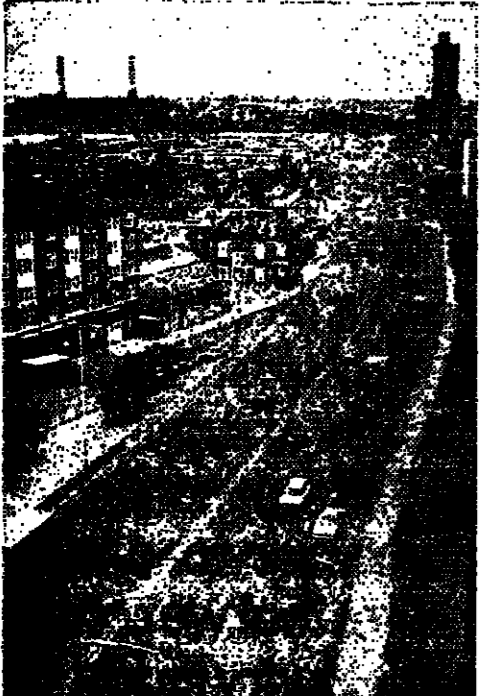
**New Factories and Warehouses.** Many new factory and warehouse units are under construction in Docklands. These at North Woolwich Road are completed and in use.

**Passenger Rail Links.** The Crosstown Link Line is now open, servicing the northern sections of Docklands from North Woolwich, and providing interchanges with BR and tube networks.

**Direct Route to Europe.** A new jetfoil service will provide high speed access from St. Katharine Docks to Ostend.



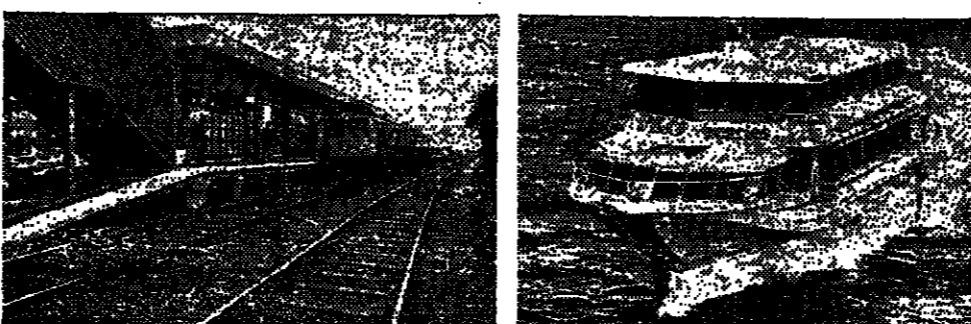
**Attractive Housing.** Many new units are completed and in occupation. All the new housing complies with the Docklands criteria that no unit is above five storeys.



**Better Road Access.** The six-mile East Cross Route is completed and eliminates the old bottlenecks and low bridges between Hackney and Greenwich.



**One of our Liquid Assets.** The Victoria Deepwater Terminal is Docklands' containerisation centre. Situated on the banks of the River Thames near the Blackwall Tunnel.



For more information: Docklands Development Organisation at Blackfriars House, 19 New Bridge Street, EC4V 6DB specialises in Docklands.

And the London Industrial Centre at County Hall, SE1 7PB services the whole Greater London area.

Both services are on 01-633 2424. They give free expert help on location, planning, finance, manpower and building.



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The **ABC** of **DAN-AIR's** Scheduled Routes from London (Gatwick)

**A**BERDEEN — New route starts Nov. 1st — up to 3 jet flights per day.

**B**ERNE — Only scheduled service to the Swiss capital.

**B**ERGEN — Gateway to Western Norway — frequent flights.

**C**LERMONT-FERRAND — Central France — 3 jet flights each week.

**C**ORK — Route commences April 1980\*

**D**IJON — Burgundy — Tuesday and Thursday flights.

**I**SLÉ OF MAN — Summer route with frequent flights.

**J**ERSEY — Summer route — flights operate Wednesday, Saturday and Sunday.

**K**RISTIANSAND — Gateway to Southern Norway — flights operate Friday and Monday.

**M**ONTPELLIER — Southern France — up to 6 flights weekly.

**M**UNICH — Route starts May 1980.\*

**N**EWCASTLE — Twice daily jet flights — Monday to Friday.

**P**ERPIGNAN — S.W. France — regular weekly jet flights.

**S**HANNON — Route commences April 1980\*

**S**TRASBOURG — France, Alsace — Friday and Sunday flights.

**T**OULOUSE — New route, year round from December 16.

\* Subject to Government approval.

**DAN AIR** SCHEDULED SERVICES

For full information on Dan-Air scheduled routes from London (Gatwick) phone 01-680 1011 or Contact your Travel Agent.



# Building and Civil Engineering

## Civil defence centre in Saudi Arabia

A BRITISH firm of quantity surveyors—D. G. Jones and Partners—has been appointed to work with the Candane Group Joint Venture of Copenhagen on a major civil defence project in Riyadh, Saudi Arabia.

D. G. Jones is to provide a pre-contract quantity surveying service which will include the preparation of full and detailed bills of quantities for the whole project including engineering installations. The partnership

will also provide assistance in the drafting of the contractual documents and technical specifications.

Covering 57,000 square metres the civil defence centre will include an operational headquarters with an underground command centre and various technical facilities, an office block, dormitories, training facilities and a mosque. It is expected that tender documents and drawings will be completed towards the end of this year.

## Norwest Holst awards

NUMBER OF jobs awarded to companies in the Norwest Holst group total about £6m.

In Scotland, the company will erect a distribution centre at Thornybank Industrial Estate, Dalkeith, near Edinburgh, under a contract worth £2.2m from Charles Letts (Holdings). Work for James Seddon (UK) is worth £300,000, and covers the construction of an extension to a warehouse at the New Battle Industrial Estate, Mayfield, Dalkeith.

Property Services Agency has awarded a £1.94m contract for the refurbishment of Romney House, Marsham Street, London, SW1.

Burnley Borough Council has awarded the civil engineering

part of the group a £720,000 contract for a storm water overflow abandonment scheme which includes construction of 1,550 linear metres of new foul sewer and replacing 150 linear metres of surface water sewer.

Nott Brodie has contracts in Wales totalling £864,000: a £432,000 scheme for Cwmbran Development Corporation is for the construction of a single storey structural steel frame factory unit with integral two-storey office accommodation; work for Welsh Health Technical Services Organisation is valued at £212,000, for construction of a single-storey 30-place geriatric day centre and link corridor at Nevill Hall Hospital, Abergavenny.

## Shops work for Rush & Tompkins

THE Rush and Tompkins Group has been awarded six contracts in the retail sector. The group's North East Region has a £32,000 fitting out contract at Littlewoods' new store in North Shields town centre and is erecting a supermarket in Sunderland under a £582,000 contract. This will be occupied by Tesco.

A further contract in Sunderland is for the demolition and rebuilding of fire damaged shop units for Marshall Lake Properties and is valued at £298,000.

In the south-west, the Group will shortly start construction of a £409,000 supermarket and stores for Co-operative Retail

Services at Corfe Mullen, Dorset. Two smaller projects, together worth £116,000 are in progress. One is a refurbishment for the Abbey National Building Society at Bitterne, Southampton, and the other is the redevelopment of a small central site in Newton Abbot, Devon, to provide shopping facilities.

**SUMARLEY**  
**Roof Tiles**

Total leadership through tile technology

## £2½m task for Turriff

A SKILL CENTRE, to be built on a 7.2 acre site which has been leased from British Rail, will be undertaken by Turriff Construction under a £2.5m contract awarded to the company by Property Services Agency.

The scheme at Accrington comprises a workshop block plus an administration block which will have a canteen.

Additionally, there will be a separate stores block, a gatehouse and a boiler house. There will also be a district office for the training services division of the Manpower Services Commission which will operate independently from the skill centre.

Two car parks—one for 40 staff vehicles and the other for 100 trainees' cars—will be provided.

### IN BRIEF

● Plessey has awarded Lesser Building Systems a £410,000 contract for a two-storey building in Havant, Hants.

● Higgs and Hill Civil and Structural Engineering has been awarded the £650,000 contract for the structural concrete work to Phase II of the Kingston (Surrey) Guildhall, being built at Kingston Hall Road. Bovis Construction is the design and build managing contractor.

● The A. Roberts Group has moved its headquarters to 59 Durnford Road, Wimbledon, London SW19.

● French Kier Construction has been awarded a contract by Slough Estates Design and Construction for industrial units at the Birmingham Factory Centre, Kings Norton, Birmingham.

● Greater Manchester Transport has accepted a tender from H. H. Robertson (UK) of Ebbesmead, South Wirral, to strip and refurbish its 165,000 square feet Hyde Road bus garage at a cost of £330,000.

## Contracts in Scotland

BOVIS COMPANY, Gilbert Ash Scotland, has been awarded contracts totalling £2.5m.

First job is the construction of a soda ash bulk handling facility for James Hemphill at Larbert. This is worth £450,000 and is being run on a prime cost plus fixed fee basis.

Lothian Regional Council has awarded a contract for the construction of a social work com-

plex at Sighthill which will also incorporate an old people's home, day centre, child day centre and a nursery.

Glassedia Securities has awarded contracts for the construction of two warehouses worth £800,000 for major retail outlets at Dawsholm in Glasgow.

Total contracts figure is made up by two housing rehabilitation projects at Easterhouse and Govanhill.

## Keeping it cool in Egypt

CONTRACT VALUED at over £3.5m for two large cold stores in Egypt has been won by PolliBur Engineering, part of Burmah Engineering.

Both stores are of 8,000 tons capacity and being constructed for the Potato Growers Co-operative of Cairo for storing potatoes at Sabahia and Dammanhour, and PolliBur will be responsible for design, supply, construction and site administration.

Associated in this venture are Haden Young of Manchester, and Mediterranean Trading and

Investment Consultants (PolliBur's agent in Egypt). All necessary equipment will be purchased in the UK.

At Sabahia, five rooms of 1,000 tons capacity will be used for storing potatoes at a controlled temperature of plus 4 degrees C, with one room of 1,000 tons capacity for storage of frozen produce at a controlled temperature of minus 25 degrees C.

At Dammanhour the cold stores will consist of six rooms each of 1,000 tons capacity for storing potatoes at a controlled temperature of plus 4 degrees C.

## Housing in the North

FOUR PRIVATE residential developments worth over £12m will be started within the next six months at Stockton, Hartlepool, Yarm and Stokesley by Leach Homes (North East).

Largest of the four new schemes is at Yarm, Yorks, where a two-phase development is to be started at Layfield Farm. When completed, the entire development will provide more than 300 new homes.

Second largest is a £3.6m housing development at High Throston, Hartlepool, where the

first phase of nearly 100 houses of at least five different types starts soon on a site bounded on two sides by Dunston Road and Hart Lane.

The other projects are at Stockton where a development of executive-type homes will be constructed on a part of the Elmtree Farm site known as The Coppice and at Stokesley, Yorks, where there will be a mixture of detached and semi-detached homes for owner-occupation. These developments are worth £1.9m and about £2m respectively.

## Award to Douglas

LARGEST OF the latest contracts totalling £5.3m awarded to R. M. Douglas is from Pedersere Petfoods for a block of offices at Waltham near Melton Mowbray. This is worth £2.4m.

The other main awards are for a factory extension for Plessey (£7m) a sports centre for Star Promotion Committee (£699,000) and offices at Slough, Berks., for Thomas Meadows United Kingdom Holdings (£516,000).

## Work in Kent for Wiltshiers

BECAUSE OF the stringent regulations governing building in Canterbury, Kent, it has taken four years to get planning permission for a new office block in the city for Barretts of Canterbury.

The contract, worth £315,000, has now been awarded to Wiltshiers which will have to blend the project in to the 17th and 18th century street environment. The office block which will incorporate a car showroom is due for completion in September 1980. Architects are Clifford Tee and Gale and the quantity surveyor is E. G. Heseliden of Herne Bay.

Wiltshiers is also starting a contract this month for the phased construction of an extension to the engineering workshops at British Rail's Chert Leacon depot in Ashford, Kent. It is also updating and modernising part of the existing premises. This £381,200 contract is due for completion in December 1980.

## Mixed bag worth £3m

CONTRACTS worth about £3m have been awarded to companies in the London and Northern Group.

Wilson's (Spennymoor) is to carry out refurbishment at Trindon Grange for Sedgfield District Council and garage premises are to be constructed at Keighley, Yorks, for Walter Burgess by John Crossland. Value of these two jobs is about £500,000.

Border Engineering Contractors is stated to be undertaking contracts worth around £2m for Fire Regional Council, Roxburgh District Council, Kangol Magnet and Lancaster R.C. Diocese Trustees, while William Huddleston and Sons is to build a workshop and stores for Imperial Chemical Industries at Heysham at cost of over £500,000.

## Laing to build offices

UNDER A contract worth about £1.4m awarded to John Laing the company will build an office block and car park at Poole, Dorset, on a site previously occupied by the now demolished Link House.

Work is for property company Buris and involves constructing a six-storey block of which the lower two floors will include car parking space and

the remainder (about 3,700 square metres) offices.

Construction will be of reinforced concrete frame on piled foundations with cladding of brickwork and anodised aluminium glazed curtain walling and flat roofs. External work includes laying out drainage, paved and landscaped areas.

When complete the building will be occupied by Link House Publications.

## Mail sorting office

NEW SORTING office, administration building and motor transport workshop for the Post Office at Ings Road/Denby Dale Road, Wakefield, will be undertaken by Clugston Construction of Souththorpe under a contract worth about £1m.

Project has been designed by the Property Services Agency, north east region, which will also supervise the construction.

Scheme consists of three separate buildings with linked access and all supported on bored pile foundations with in situ concrete ground beams.

## Cold store facilities

THE Cold Store Division of Cape Building Services, a subsidiary of Cape Industries has won contracts totalling £2.1m.

First to get under way will be a cold store and food processing complex for Flying Goose in Wiltshire, where Cape Building Services will be the main contractor, and extensions to public

cold stores for Christian Salvesen at Droithwich and Allerton Cold Storage at Northallerton.

Depot facilities are also to be provided in Hull for Alpine Refrigerated Deliveries.

Haden Young has placed an order with the company for 1.4m cubic feet of prefabricated chill and cold stores on two sites in Egypt.

**WADHAM STRINGER**

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11-18 Rolls-Royce Silver Shadow Series II. Finished in Curly Birch with Edge leather interior, with Blue leather seating and padded fascia. Full service history.

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COOPER CAR COMPANY  
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**DAMLER DOUBLE SIX COUPE**  
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Only 52,000 miles. Immaculate. Silver-grey metallic, automatic. Fuel injection, air-conditioning, tinted glass, radio / cassette. One owner. £4,975 o.n.o.  
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**Akzonv, ARNHEM HOLLAND**

The Board of Management and Supervisory Council of Akzon N.V. decided to distribute for the fiscal year 1979 an interim dividend of Fl. 1,- per ordinary share of Fl. 20,-.

As from 14th November 1979 the above dividend of Fl. 1,- per ordinary share will be payable against surrender of coupon no. 13 at Barclays Bank Limited Securities Services Department 54 Lombard Street London EC3P 3AH

U.K. Residents  
Dividends so payable for U.K. residents will be paid less 15% Withholding Tax and U.K. Income Tax will be deducted from the gross dividend.

Residents of other countries  
For residents of countries other than the United Kingdom with which the Netherlands has a Double Taxation Agreement, the rate of Withholding Tax (if any) shall be determined upon provision by the presenting authorised agent of the completed necessary documents (Form S2, etc.). Where no such form is submitted Withholding Tax at the rate of 25% will be deducted. United Kingdom Tax at standard rate will be deducted unless claims are accompanied by the appropriate affidavit forms.

Information concerning any of the above-mentioned documents may be obtained from Barclays Bank Limited, Securities Services Department.

Arnhem, 29th October, 1979

**AKZO**

**Kingston**

BY ORDER OF KINGSTON PLANT HIRE GROUP LTD.  
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Due to closing down of their Plant Hire Division and Sale of the Premises

**WALKER WALTON HANSON**  
Will Sell by Auction on the Above Premises on Thursday November 8, 1979, at 12.00 noon

**VERY MODERN CONTRACTORS' PLANT**  
including

- Nine: Ruston Bucyrus "22RBs" Long and Wide and J.C.D. Cranes 10-15 tons, 1964-1974
- Nine: Hymac 580C 360 Tracked Excavators, 1973-1977
- Nine: Komatsu Loading Shovels and Angle Dozers, Models D60S, D45S and D65A, 1973-1979
- Six: J.C.B. 3C Mk. II Wheeled Excavators, 1972-1973
- Four: International B100 Tracked Loading Shovels (1 with J.C.B. Back Ater), 1973
- Two: Hymac "370" Wheeled Excavators (1974)
- One: Onions 9 yd. Towed Scraper

and

- Three: Land-Rovers "109" with Hard Tops, Petrol, 1974-1975
- One: Peugeot "604" Saloon, 1976
- One: London Transport RT Double Decker Bus, 1952

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Qty. of Hymac, Ruston Bucyrus, J.C.B. and International Spades, Buckets, Concorde Steam Cleaner, Tanks 300-1,000 Gall. Vibratory Rollers, Railway Cabins, Site Toilet, etc.

On view: Tuesday November 6 and Wednesday November 7 9 am to 4.30 pm and on the morning of the Sale from 9.00 am to 12 Noon

Catalogues: (Price 30p) from

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Build them in the shape of a pyramid with a 13.1 acre level base which can have a margin of up to 0.007 per cent.

The gap between each joint is not to exceed 1/50th of an inch.

You have a tolerance of 7.9 inches between the longest and shortest sides, but each one must incline 51° 19 minutes and 14 seconds.

Accommodation, catering and sanitation facilities to be provided for 100,000 labourers.

Signed:  
Construction Advisory Board  
to the Pharaoh Giza, (2,314 B.C.)

We have the greatest respect for our ancient building colleagues, not only for their dazzling technical achievements, but also for their immaculate planning and organisation, which is something we at Willett also believe in.

In fact, if there is any one single reason for our successes on major contracts in recent times, it is our ability to get buildings up more smoothly, more efficiently and, of course, more economically.

So if you would like to taste a little of the ancient Egyptians' skill for planning and organisation, we would be very pleased to hear from you.

Even if you haven't got a Pyramid in the pipeline!

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In the field of two-litre cars, the Vauxhall Carlton is something of a rarity.

Because it's one of the few cars designed exclusively for a two-litre engine, right from the word go.

Consequently, you can't have one with a smaller engine, even should you wish.

Nor, indeed, can you have one with an inferior standard of luxury.

The list of options is surprisingly modest, because almost everything you could wish for is already present.

LUXURIOUS, BUT RESTRAINED.

The Carlton successfully avoids the baroque flourishes that creep into many of the so-called luxury cars.

The seats are covered entirely in a rich velour cloth, but have just the right degree of firmness.

Adjustable head restraints are standard at the front, while a central armrest is included at the rear.

You can even adjust the driver's seat for height, as well as for reach and rake.

And, naturally, there's wall-to-wall cut pile carpeting. (It even has separate underlay.)

Then there are numerous small but practical touches that make the car a pleasure both to drive and be driven in.

A push button radio. A comprehensive (but thankfully uncomplicated) heating and ventilation system with a four-speed fan.

Two-speed wipers with that vital intermittent wipe. Electric screen washer. Cigar lighter. Quartz clock.

GOOD LOOKS, BUT WITH GOOD REASON.

The steeply raked front end makes the Carlton one of the most distinctive designs on the road.

But there are better reasons for the way it looks than its ability to turn heads.

Aerodynamically, the Carlton slips through the air with a minimum of fuss and, consequently, with minimal wind noise.

An achievement that's also reflected in the car's fuel economy: even driven at a steady 75 mph, it returns a creditable 30.7 mpg.

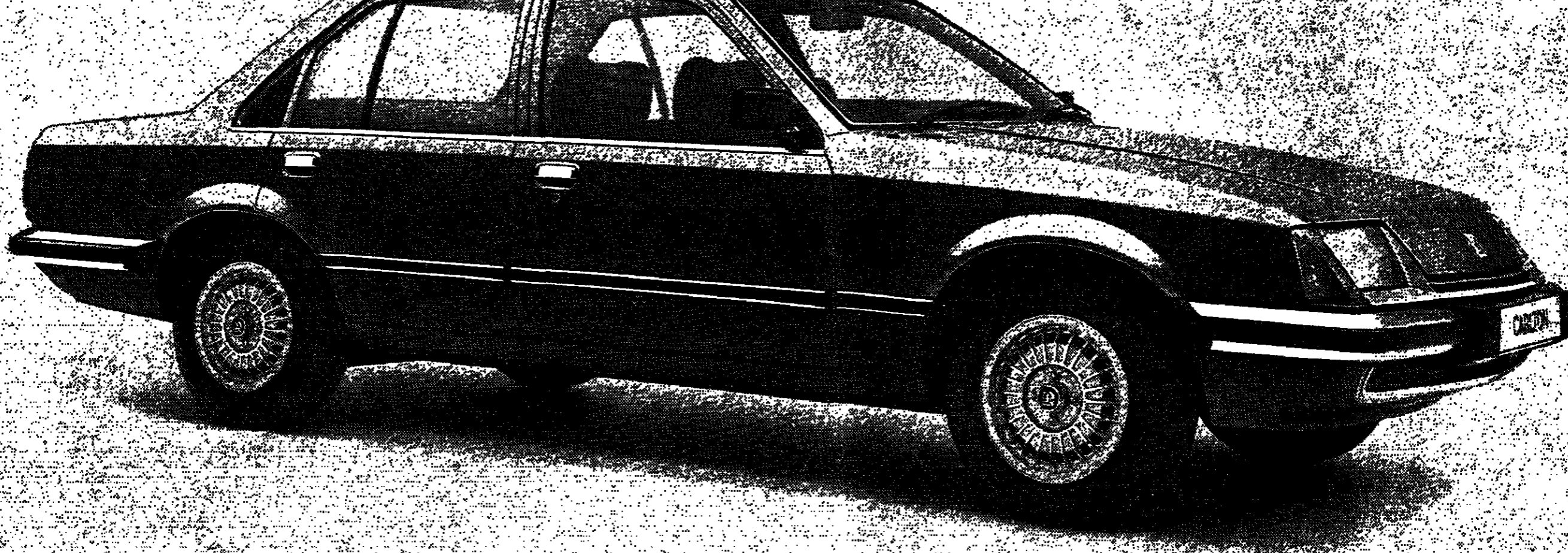
If, on the other hand, you choose to throw caution to the wind, the Carlton will accelerate from rest to 60 mph in as little as 11.2 seconds.

And go on accelerating to a highly illegal top speed of 107 mph\*.

Ask your nearest Vauxhall dealer to arrange a test drive for you. **VAUXHALL**

If you've been looking **CARLTON** for a true two-litre car, he'll be glad to prove to you that your search is over.

As you might gather from the name, the car is roomy, comfortable and rather stylish.



CARLTON SALOON £5627, CARLTON ESTATE £5197. PRICES CORRECT AT TIME OF GOING TO PRESS, INCLUDE CAR TAX, VAT, FRONT SEAT BELTS AND RADIO. DELIVERY AND NUMBER PLATES EXTRA. SPORTS WHEELS (AS ILLUSTRATED) £228 EXTRA. STEEL SLASHING ROOF, AUTOMATIC TRANSMISSION AND POWER STEERING ARE AVAILABLE AS OPTIONAL EXTRAS. \*PERFORMANCE FIGURES FROM 'AUTOCAR'. D.O.E. FUEL CONSUMPTION FIGURES FOR MANUAL SALOON (METRIC EQUIVALENTS IN BRACKETS): CONSTANT 56MPH: 38.7MPG (7.3L/100KM), CONSTANT 75MPH: 30.7MPG (9.2L/100KM), URBAN CYCLE: 24.4MPG (11.6L/100KM). FOR DETAILS OF YOUR NEAREST VAUXHALL DEALER RING LUTON (0582) 2122 EXT. 8728.

UK NEWS—LABOUR

Electricity BL plans low output move

workers to seek hours cut

BY ARTHUR SMITH, MIDLANDS CORRESPONDENT

VICTORY IN the ballot of the BL workforce, the result of which is expected this week...

BY OUR LABOUR EDITOR

POWER STATION shop stewards will this year be pressing their union negotiators to secure a further cut in the working week...

At a preliminary meeting on Saturday to discuss the next pay agreement...

This year's settlement, after the Electricity Council's offers were twice rejected by ballot...

The unofficial claim seeks a reduction of the working week to 35 hours...

The equivalent of 38 hours, and were one of the few major groups of workers...

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Managers urge revival of plan to check wages

BY OUR LABOUR EDITOR

SIR GEOFFREY HOWE, the Chancellor, will be asked tomorrow to dust off Government's plans for an "economic forum" as a way of checking high wage settlements.

It says the negotiators should be made to "confront reality by moderating claims and settlements during the forthcoming winter to what can be afforded by the level of productivity."

Growing number of families 'in poverty trap'

MORE FAMILIES have been put into "poverty trap" by the last Budget, the Low Pay Unit claims today.

Dunlop invests £1m in foam

DUNLOP is spending £250,000 on machinery for high-volume conversion of polyethylene foam at its GRG division unit at Wrexham, Clwyd.

Over £275,000 needed to aid elderly and disabled seafarers. King George's Fund for Sailors. Last year KGFS distributed some £275,000 to aid elderly and disabled seafarers.

INDUSTRIAL DEVELOPMENT BANK OF ISRAEL LTD 7% Guaranteed Loan 1982. S. G. WARBURG & CO. LTD., announce that Bonds for the amount of U.S.\$1,350,000 have been drawn in the presence of a Notary Public for the eighth redemption instalment due 28th November, 1979.

At 8.29 am this morning Standard Life weren't in the Investment Linked Insurance business. Now we're one of its biggest names. Standard Life are a brand new name in the investment linked insurance market.

مكتبة الأصيل



Christie's to sell big U.S. cellar

CHRISTIE'S has unearthed another cellar of exceptional wine—this time in New Jersey. The wines come from the home of the late Mr. Clarence Dillon, the banker who died earlier this year, and predominantly derive from Chateau Haut-Brion, which he acquired in 1835 for a mere £Fr 2.35m (then equivalent to about £240,000).

There will be 30 vintages in the sale that will take place in London on December 6. They range from 1906 up to 1989, and some in considerable quantity. For example, there are 22 magnums of 1920, 23 dozen bottles of 1926, 10 dozen bottles and 44 magnums of the 1928 and more than four dozen bottles and 50 magnums of the 1929. At a tasting of some sample vintages at Christie's, the 1921 and 1926 showed particularly well, and a Jeroboam (six bottles) will be offered of the latter.

Also from the cellar are other first-growth claret of the inter-war vintages, including seven bottles of the celebrated Cheval-Blanc 1921 and 43 bottles of Lafite 1924, which also showed very well at the same tasting. There are several vintages of Yquem

Rossminster case hearing opens today

BY A. H. HERMANN, LEGAL CORRESPONDENT

THE HEARING of the Rossminster case—in which the Court of Appeal has ordered the Inland Revenue to return documents seized in a dawn raid—will open in the House of Lords today.

The Inland Revenue is appealing against unanimous decision of the three Appeal Judges, Lord Denning, Master of the Rolls, presiding, to quash the search warrant issued by a Circuit judge because it did not sufficiently specify the offence with which Rossminster and its officers and associates were suspected.

The Appeal Judges also held that the conduct of the search was so oppressive that it put the onus on the Inland Revenue to satisfy the Court that they had good reason to seize a large quantity of documents.

It was ordered to return the documents, though it was allowed to keep copies pending the Lords decision of its appeal.

The case of the Rossminster Group, which devised and successfully marketed tax avoidance schemes, has been brought by the Court of Appeal into the wider context of checks and balances necessary to protect the individual against bureaucratic oppression, without making the investigation and suppression of crime difficult.

After the reduction in direct taxes, the demand for tax avoidance schemes became less and so probably did also the Inland Revenue's desire to obtain details of such schemes in order to prepare countervailing legislation.

A new, technical element is at an early stage of the hearing, if, as I understand, Inland Revenue is going to plead that the case should have never been dealt with in the Court of Appeal after it was decided (in favour of the Inland Revenue) by Mr Justice Walton in the Queen's Bench Division. The investigation of the Inland Revenue is of a criminal nature based on the Theft Act 1968 and it is argued that, as in other criminal matters, appeal from

the Divisional Court should have been not to the Court of Appeal but directly to the House of Lords.

The main issue before the Law Lords will be the interpretation of Section 20C(1) of the Taxes Management Act 1970 which authorises a judge to issue a search warrant on the basis of a sworn statement by the Inland Revenue Officer that he has good reasons to suspect "an offence involving any form of fraud in connection with, or in relation to, tax".

The warrant repeated these words and the Inland Revenue say this was sufficient as a generic description of the six separate tax offences listed in the Theft Act. The Appeal Judges, however, took the view that the offence must be specified to exclude fishing expeditions by investigators.

The other issue concerns the difficulty of all investigators of business crime to determine quickly and without expert advice which documents found during a search are relevant, and to take enough, without becoming oppressive.

Warning on cuts by civil engineers

BY LISA WOOD

CIVIL ENGINEERS could be very hard hit by reductions in public spending, it was said at the weekend.

Mr Jack Seeley, vice-president of the Federation of Civil Engineering Contractors, speaking at the annual dinner of the federation's members in North East England, urged the Government not to make cuts in public spending without considering how they would affect the industry.

Ninety per cent of the industry's work is for a public client, said Mr Seeley. It was the Government's job to commission motor power stations, authorise the building of motorways and through other authorities, to construct and renovate water treatment and sewerage systems, he said.

Responsibility

Emphasising that the private sector could not take over this kind of project completely, he added: "However much Government strives to shift the emphasis from public bureaucracy to private enterprise, the fact remains that by far the greater proportion of civil engineering work is the Government's responsibility and is paid out of public expenditure."

"A ten per cent cut of our work in the public sector would require a doubling of private sector demand to offset the loss of turnover and clearly, this is simply not on."

He said the federation wanted to see evidence in the White Paper on spending cuts that the Government planned to carry out its expressed intention of shifting public spending from current to capital projects.

Mr Seeley said a 1 per cent swing from central Government current spending to capital spending would mean an extra £450m on capital projects.

Foreign currency life contracts cover fluctuation in sterling

BY OUR INSURANCE CORRESPONDENT

THE ABOLITION of exchange controls will have little immediate effect on the routine of premium collection and claims payment by British insurers.

Authorisation formalities have remained so, because of much international business on the London market and because of the international potential of many risks written in Britain payments have been made abroad in foreign currencies against premiums collected in sterling.

This has been the case not only with big commercial contracts, but also with small individual, personal policies particularly car insurance and holiday risk policies.

But because the pound is the currency in which most people are paid, and with which most buy goods and services, few British residents and companies will have arranged cover in any currency other than sterling. By the same token most non-residents arranging cover for risks in Britain have paid in sterling.

In theory it is possible for anyone to arrange cover in any currency, resident or not. The main limitation is the same—sterling is the obvious currency for property, motor, liability, life and other policies. Whether a life policy is an investment, a provision for retirement, or a protection for dependents, the purchaser can obtain cover to ensure a specific amount of foreign currency. Particularly if he has such currency available, he can plan protection against future fluctuations of sterling against the currency of his choice.

There has been little time to work out the implications of last week's change—but in the life and pensions field the specialist brokers are quite often the innovators, and it may be to them that would be purchasers of non sterling life policies should look.

The established life offices expect little change. They emphasise that whatever is possible in theory, in practice the nature and extent of foreign

currency business is limited by the practicalities of maintaining investments and records in a number of currencies: that valuation of a life fund, of both assets and liabilities, is a complicated enough task when one is dealing with one currency—without having two, three or more.

Clearly invalid

The short term answer is clearly invalid in the medium or longer term if demand builds up, as it may, from would be policyholders wishing to arrange for substantial sums assured and therefore willing to pay over the required sizeable premiums.

However, if British offices move slowly, what can the British do abroad? There is nothing to stop him paying premiums for life cover to a foreign-based company—but it

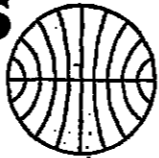
is likely he will find both premium rates and potential sums assured—in other words the return on his cash—much less satisfactory than with a British office.

Paragraph 27 of the second stage evidence of the Insurance Companies to the Wilson Committee said "Term policies are, in general, much more expensive in the rest of the EEC than in the UK and Ireland—about three times as expensive in Belgium, France and Italy for a five-year policy."

"A survey by the Bureau Europeen des Unions des Consommateurs has drawn attention to the disparity and also points out that in the UK it is usual to pass on the benefits of lower female mortality by charging lower premiums for women than for men, which is not general practice in the Community."

Each week, Pan Am flies 747s to these 7 important American cities on these 7 important days.

For most business travellers, the cities in the panel are the most important destinations in America. And the most important days for travel are, quite simply every day of the week. That's why Pan Am flies every day to every one of these cities. Giving you a service, flexibility and freedom no other airline can begin to match.



PAN AM

Table with 4 columns: From London to, Leave, Arrive, Notes. Lists destinations like Detroit, Honolulu, Houston, Los Angeles, New York, San Francisco, Washington, and Seattle with their respective flight times and days.

So choose your city. Choose your day. And choose too, from Pan Am's three classes of service. Luxurious First Class, with Pan Am's unique upstairs dining-room-in-the-sky, where you feast on superb international cuisine. On Clipper Class, now better than ever, where you get everything from a choice of 4 main courses, a First Class baggage allowance and an empty seat next to you whenever possible, to free drinks, and slipper socks for your feet. Or you could choose Full Service Economy Class and still enjoy full Pan Am service. Talk to Pan Am or your Travel Agent soon. You'll find you're spoiled for choice.

We fly the world the way the world wants to fly.

CONTRACTS AND TENDERS

ALEXANDRIA PORT AUTHORITY. 106, GAMAL ABDEL NASSER AVENUE, ALEXANDRIA—EGYPT. International Adjudication for the Delivery of Timber for the Manufacture of 10,000 Pallets for Stevedoring Co.

SUDAN RAILWAYS STORES DEPARTMENT. CONTRACT No. 5241. Supply of: (a) P.W.M. (rails, sleepers and accessories) (b) Railway Signalling Equipment (c) Track Maintenance and Relaying Machinery

SYRIAN PETROLEUM CO. MUTANABI STREET, P.O. BOX 3378 DAMASCUS, SYRIA. INTERNATIONAL CALL FOR TENDERS to sign a Mutual Agreement Contract for the execution and putting into operation of a plant for the utilisation of associated gases in the Syrian oilfields.

PLANT & MACHINERY SALES. 1) ROLLING MILLS. 2) CUT/LENGTH LINE 1,500 mm x 3 mm x 15 Ton Coil. 3) CUT/LENGTH LINE 1,000 mm x 2 mm. 4) CUT/LENGTH LINE 750 mm x 3 mm. 5) CUT/LENGTH LINE 400 mm x 3 mm.

WICKMAN 1' 6" ASP AUTOMATIC. Spindle stopping, cross drilling. Pick-up attachment, 3 driving spindles, swarf conveyor, will turn and index to maker's limits. Excellent.

BLISS 2000 T, 18-108-74 complete with automatic fee and 15 ton coil reel. Bed No. 74. WILKINS & MITCHELL 500 TON SINGLE ACTION PRESSES bed 108" x 72".

COURSES South West Regional Management Centre. Quality Assurance. Quality Manuals and their preparation. Managing for Quality Assurance.

COMPANY NOTICES. NICHOLSON INTERNATIONAL DEVELOPMENT W.V. Corporation with a paid capital of £10,000,000.

THE HIGHLAND DISTILLERIES COMPANY LIMITED. The Transfer Books of the Company will be closed from 10th November, 1979, until 26th November, 1979.

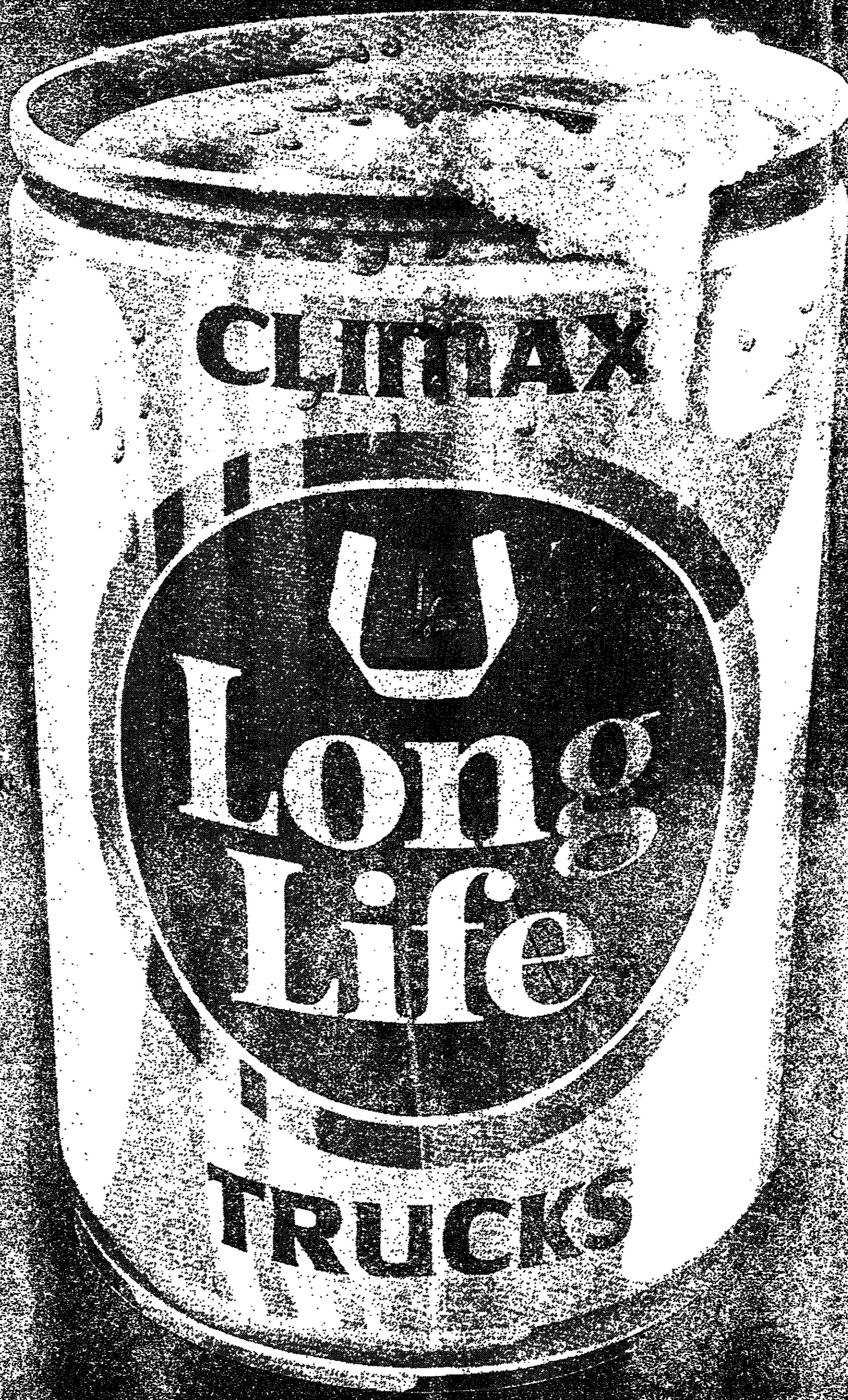
PUBLIC NOTICES. EDINBURGH BELLS. 67 St. Andrew Street, Edinburgh. 26th October at 1.30 p.m. to 2.30 p.m. Auctioneers: 212. Oct. 26th, 1979.

TRAVEL. GENEVA, Basle, Zurich and Bern. Range of cheap flights from £ 100.00. Tel: 91078. ATOL 3661.

ART GALLERIES. ANTHONY OFFAY, 2, Dorset St., New Bond St., London, W1. Tel: 753 1101.

KOCHINSKI MEKANSKA VERIGDAS ARTISTBOLAG. 5% GUARANTEED MONTH 1983. 25th October 1979.

مكاتبنا للتجارة



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life contract  
in sterling

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BASE

6000

4000

3000

2000

1000

Vertical text on the right edge of the page, likely from an adjacent page or a sidebar, including words like 'S', 'L', 'M', 'N', 'O', 'P', 'Q', 'R', 'S', 'T', 'U', 'V', 'W', 'X', 'Y', 'Z' and various numbers.

# Technical Page

EDITED BY ARTHUR BENNETT AND TED SCHOETERS

## DATA PROCESSING

### Design of structures

ANALYSIS of the collapse of frame structures is possible with a program recently developed by Atkins Research and Development of Epsom, Surrey.

Called PLASH, it can be applied to three-dimensional space frames of arbitrary shape which deform plastically and may experience considerable distortion before collapse. Two major applications are seen as vehicle cab structure and building frames.

In the event of roll-over, cab structures on tractors, excavators, mobile cranes and similar vehicles may deform well beyond conventional elastic limits. Such deformation can be

allowed, provided the cab's overall integrity is retained and the driver is protected. The program can be used to predict the deformation for comparison with acceptable limits defined in various standards and codes of practice.

In the design of building frames, recent advances have led to the development of new code of practice based on limit state concepts. PLASH can be applied to examine the behaviour of such frames and to investigate their acceptability under the new design codes.

Atkins at Woodcote Grove, Ashley Road, Epsom, Surrey KT18 5BW. 03727 26140.

## STOCK CONTROL

### Speeds search for the right part

TRUESTOCK is a compact, stand-alone stock control system based on the principle that piece parts can be identified to a computer with the aid of a light pen, just by pointing at them on a drawing. The need for specially-trained operators at terminal locations is thus eliminated and all grades of personnel can have convenient, easy access to computer stored data.

Equipment consists of a microprocessor backed by a small high speed serial line printer, and operated by means of Truestock terminals—a novel man to machine interface.

This interface relies on the idea that the shop floor assembles products which break down into piece parts. Therefore, the component parts of each product can be shown on an exploded perspective drawing known as an overlay. Each component on the overlay is associated with a rounded and supplementary descriptive in-

formation. Merely by touching one of these roundels it is possible to communicate to the computer, in a single operation of great simplicity, the identity of a piece part about which information is required. This would otherwise demand an enormous data stream.

The equipment is designed for self-contained production units in companies of any size; in large companies wherever it is necessary to retain complete inventory control without incurring the restraints involved in using existing mainframes, and in small companies where card systems have been outgrown.

A turnkey system with software written to be as generally acceptable as possible, it uses BASIC as a high level language, which means that modifications can be made easily by the user himself, if necessary.

Grundy Terminals, Somerset Road, Teddington, Middlesex (01-877 1171).

### Distance is no problem

WHETHER STOCK is sold at national, regional or branch locations, it can be properly monitored and controlled using Stocknet, a computer system from Gamma Associates designed to run on PDP 11 machines that the company supplies.

Aimed at the distribution and retail industries, the system is designed for any business where stock is distributed between a number of locations. Input to Stocknet can be in batched form at a central site or from branch locations equipped with visual display units. It is possible to build up a hierarchical arrangement vesting certain aspects of stock

control in the regional offices but with overall control from head office.

The user converses with the computer and is helped by extensive use of menus, messages and prompting. When standard document contents are entered such as purchase orders, the format appears on the screen and the user is guided through its completion.

Management information that can be called for includes stock movements reports, analysis of non-moving items, variance reports, picking lists and outstanding order reports. More from 7, Shute End, Wokingham, Berks. (0734 789777).

### New large computers

ANY LARGE user with between £2m and £7m to spare can now order one or other of a series of new super-computers which Cray Research will begin to deliver in late 1980.

S Series models will range from the S/250 with 1m words of memory to the S/4500, a 4m word CPU with four input/output (I/O) processors and up to 1m words of buffer memory.

The most significant departure for the S Series is its field-upgrade potential. Users can enhance a system's memory and I/O capability as computing needs increase. Memory can be increased to the maximum 4m words (32m bytes) and up to four I/O processors can be included.

Addition of each I/O processor allows for significant increases in mass storage capacity and ability to drive peripheral devices.

A most important feature of the I/O sub-system is the incorporation of a memory channel linking it to central memory. This channel allows transfer rates of up to 850m bits per second.

Performance of the largest machine in the new series will lie between five and ten times that of the CDC 7600, itself one of the most powerful ever built.

Cray Research (UK), James Glaisher House, Greenville Place, Bracknell, Berkshire RG12 1BX. (0344) 21515.

### Protects the equipment

SAFE environment capsule is a prefabricated, cylindrical enclosure for minicomputers, microcomputers, automatic teller machines and other data processing equipment. The enclosure is adjustable to 8 ft 4 in and is 5ft 2in in diameter; it provides security, access control, fire protection and an optional microprocessor-controlled early

trouble warning for the equipment housed within. As a replacement for the conventional computer room, the capsule may be installed in any normal office environment and indeed in hostile environments, with no site preparation other than providing an electrical supply compatible with the equipment to be housed within the capsule.

It is to be distributed in Europe by the Safe Organisation of the Safe Environment Capsule.

Safe (UK) 235 Borough High Street, London SE1 1JD. 01-407 8433.

These will then be doubled and the company's worldwide capacity will rise to over 4m tonnes per year. The kiln is 85 metres long with a diameter of 4.75 metres. The Lepol grate, which is the second largest in the world, is 44 metres long, 5.6 metres wide and 17 metres high.

### Poured or blown into place

SINCE IT last exhibited at Interbuild in 1973, Ready Mixed Concrete has further opened its umbrella to include such new companies as RMC Concrete Floors, RMC Panel Products, Aerated Concrete and Cibco Insulations (UK).

These will then be doubled and the company's worldwide capacity will rise to over 4m tonnes per year. The kiln is 85 metres long with a diameter of 4.75 metres. The Lepol grate, which is the second largest in the world, is 44 metres long, 5.6 metres wide and 17 metres high.

This material has been widely used for insulation in North America and is 100 per cent wood-based natural cellulose fibre blended with fire retarding and vermin-resisting chemicals. Attractive because it is non-irritating and very light to handle, it can be scooped out by hand from its sack and thrown or pressed down between joints. A contractor however would

use special blowing machines. Unlike mineral fibre insulations, it is organic with air cells in each fibre which means it can trap more air and so promise greater heat resistance. It also has the ability to reduce the level of external noise.

Recommended for a factory roof, school, or working environment, is K-13 cellulose fibre insulation which utilises recycled waste paper. This product is applied simultaneously with a liquid bonding agent directly to the roof using a fast "one pass" high pressure technique.

Both insulators are made by Cibco at 2 Crowther Road, Crowther Industrial Estate, Washington, Tyne & Wear (0632 465754).

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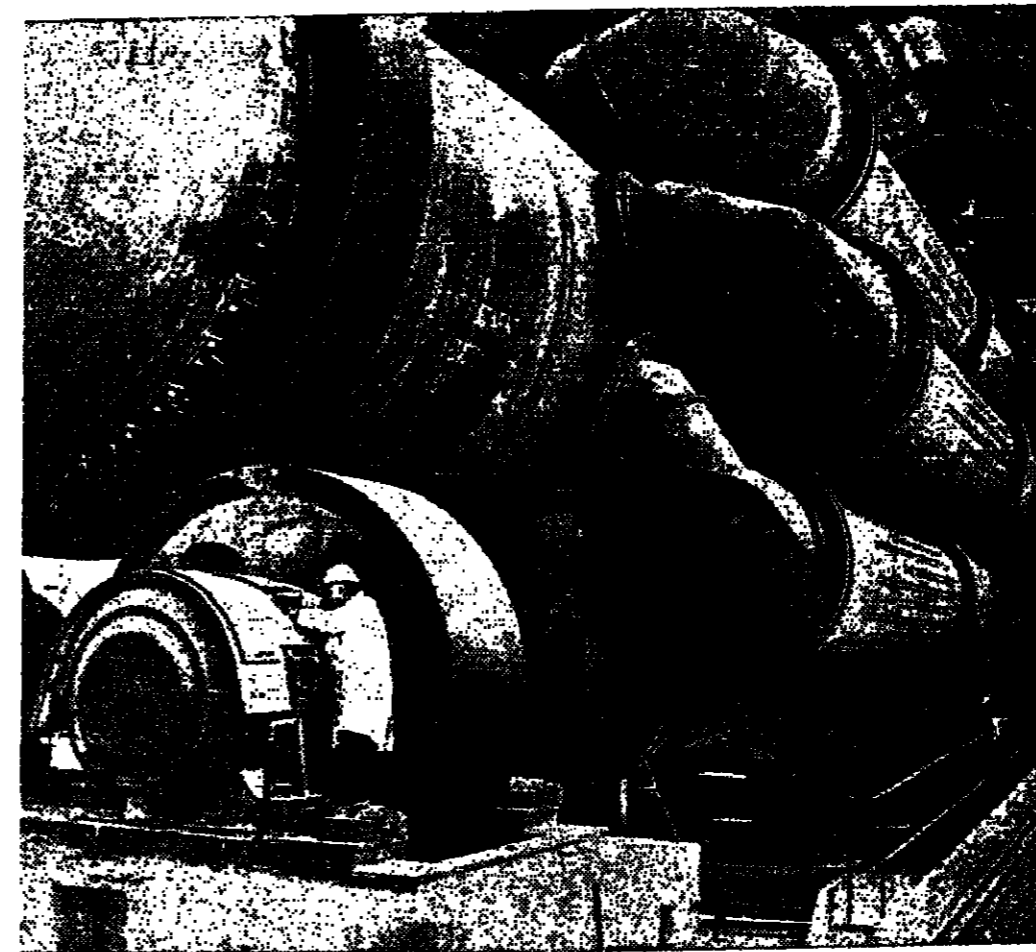
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## MATERIALS



Firing end of the rotary kiln showing its planetary coolers at the 225m extension to the Rochester Works of the Rugby Portland Cement Company which, when in full production will have an output of 2,200 tonnes a day of cement clinker. Capacity of the works

will then be doubled and the company's worldwide capacity will rise to over 4m tonnes per year. The kiln is 85 metres long with a diameter of 4.75 metres. The Lepol grate, which is the second largest in the world, is 44 metres long, 5.6 metres wide and 17 metres high.

**The Queen decorates**  
**Norgren Air Aces**  
Makers of the unique Olympian 'plug-in' system and world leading suppliers of compressed air processing equipment.

## COMMUNICATION

### Transmits a copy from office desk

CLAIMED TO be Britain's first, a desk-top Group III digital facsimile transmitter is being shown by Plessey Communications Systems at the International Business Show in Birmingham.

UF320 is able to transmit an A4-size document in 20 seconds and has capability to adjust its transmission times to the conditions of the telephone lines or the speed of the receiving unit.

Other characteristics include high-resolution, smear-proof copy; and automatic document feeding; and visual display which shows the operator which functions are being performed by the unit.

UF320 conforms to the proposed CCITT recommendations, expected to be released next year.

Normal transmission is at 9,600 bits/second. If there is noise on the line or other line problem, the modern automatically reduces transmission speed to 7,200, 4,800, or 2,400 bits/second.

The document to be transmitted is scanned by 3,200 photocells and exits after travelling only seven inches through the unit. Dry electrostatic process using white bond-like paper and dry powder toner ensures a high resolution. At the recording end, the paper moves across 1,632 stationary printing elements. Each copy is permanent and smear-proof.

"Electronic handshake" is a facility that allows the transmitting unit to signal the receiver with a programmed sequence of questions which result in electronic compatibility. At the end of transmission, the receiver automatically signals that copy has been received. Both units then automatically disconnect and return to standby.

### Protective plastic plank

WALL-CLADDING SYSTEM in rigid pvc is called Telclad and has just been launched by Telcon Plastics, Farnborough Works, Green Street Green, Orpington, Kent (Farnborough 55885).

This comprises planks in two different designs together with a range of components including edge channels, drips and trims, to make a complete self-

contained system. Cheaper by area than quality timber, the cladding is fitted to softwood battens, or directly to bricks, breezeblocks and other wall materials. It can be washed down with water and detergent.

Available in white or dove-grey as standard but, says the company, it can be made in other colours to special order.

## CONFERENCE

### Studies of fluid flow

IN DECEMBER work in the fields of fluid flow measurement and fluid dynamics will have been carried out for 25 years at the Reynolds Building at the National Engineering Laboratory, East Kilbride, Glasgow.

To mark the occasion a Fluid Mechanics Silver Jubilee Con-

ference will be held at East Kilbride from November 27 to 29. The 39 papers to be presented are said to be representative of the latest international work on design, research, testing and standards for flowrates, pumps, fans and water turbines, and will look forward to the next 25 years.

## HANDLING

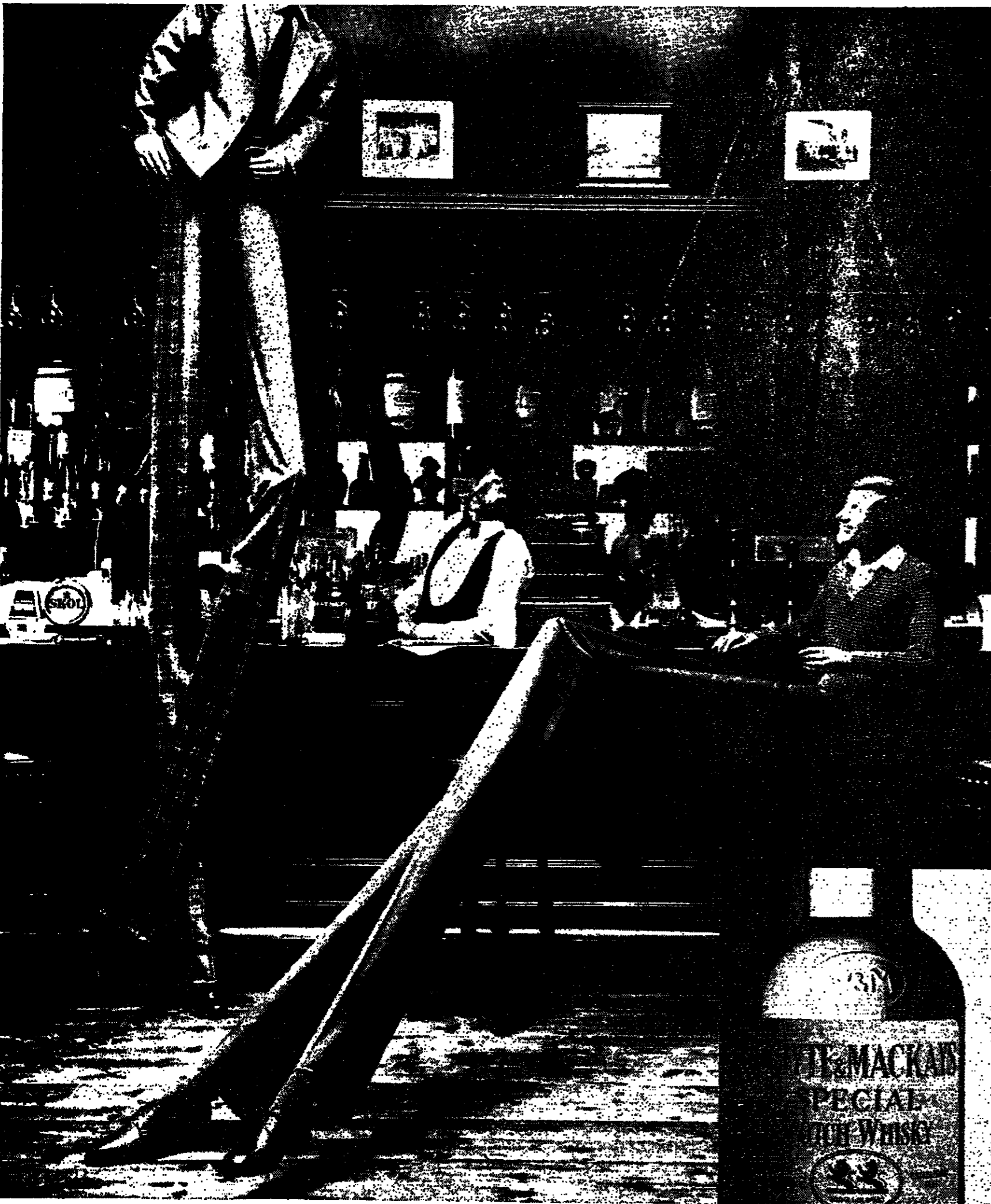
### Quick wrap around

A TURNTABLE has been designed to speed the wrapping of palletised goods in plastics stretch film.

The 1500mm diameter turntable is driven by a 1/2 hp motor at 10 rpm and the overall time required for a pallet load is said to be only 45 seconds.

After securing the stretch film, the operator activates the turntable by depressing a foot pedal and controls the tension and the lay of the film by the simple means of holding the reel of film after the required tension has been adjusted.

Supplier of the equipment is United Packaging Industries (UK), Gomersal, Cleckheaton West Yorkshire BD19 4QW (0274 870331).



One taste will tell you it's a very superior whisky.

This advertisement appears as a matter of record only.

**quest** AUTOMATION LIMITED

Incorporated in England under the Companies Acts 1948 to 1967 No. 1130133

(Quest) Share Capital

Authorised		Issued and fully paid
£		£
100,000	5.85% (Formerly 9%) Cumulative Redeemable Preference Shares of £1 each (Redeemable 30th June, 1980)	100,000
1,500,000	Ordinary Shares of 10p each	800,000
1,600,000		900,000

The placing has been completed of 1,500,000 Ordinary Shares of 10p each at 85p per share.

No part of the share capital of Quest is listed on any Stock Exchange and no application for such listing is to be made at this time. The Council of The Stock Exchange has, however, indicated that applications may be made to transact bargains under Rule 163(2) in The Stock Exchange's "Unlisted Securities Market".

Persons wishing to deal in the Ordinary Shares of Quest should consult their stockbroker or other professional adviser in order that the necessary permission for specific bargains can be obtained.

Full information regarding Quest is contained in a prospectus dated 25th October, 1979, and copies may be obtained during usual business hours up to and including 12th November, 1979 from the brokers to Quest:

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29th October, 1979.

THE MANAGEMENT PAGE

EDITED BY CHRISTOPHER LORENZ

EXECUTIVE HEALTH

Blood . . . and tears

BY Dr. DAVID CARRICK

IT IS easy to preach and as easy to make mistakes, particularly if misled accidentally by a wealth of attractive evidence.

An admission of my own frailty in this respect: I was recently asked to see a young man's fiancée. She was "in a state". I was told, and perhaps I could help. The girl herself, a young woman who was very made-up but still attractive, confirmed the claims. Her parents were abroad, so she had all the wedding arrangements to manage; she was unhappy at work; a dear relative was mortally ill; her father had just failed his MOT; and she was in debt, particularly to a local tax authority.

As to her health, she was constantly tired, had frequent headaches, suffered from nausea, fainted frequently, slept badly and was troubled by indigestion and abdominal pain. Quite a collection for one person. Examination revealed little except for finger-tremors and other signs which fitted with a foregone and precipitant diagnosis of a stress-reaction anxiety state, so I treated her accordingly.

A week later she was rather worse and I did something I should have done on the first visit — took a blood sample which revealed that she was very anaemic. On a fairly high dose of iron, she became a different person in a week; all those "anxiety" symptoms disappeared. She was grateful and I had learned a lesson.

Anaemia, which is fairly common, has been described as "a reduction below normal of the haemoglobin in the peripheral blood." A fair enough description, but meaningless to those who have little or no idea of the function of the red blood cells. A simple account will not go amiss.

These cells are very small, five million strong in healthy individuals. Produced in the bone marrow, they contain a "protein", haemoglobin, which has the remarkable ability of combining with oxygen in the lungs, carrying it to the tissues, releasing it and returning a waste-product, carbon-dioxide, which is taken back to the lungs and discharged in the breath. The ex-

change of these gases in the lungs takes place at a speed that makes that of light appear sluggish.

If an individual is anaemic, it usually means that the red cells do not possess sufficient haemoglobin or that there is a shortage of the total number of red cells. Thus the tissues are starved of vital oxygen and also waste-products cannot be removed efficiently—no wonder, then, that the sufferer is fatigued and develops the other symptoms I have mentioned.

Measurement of anaemia is by a haemoglobinometer and levels are expressed as grams of haemoglobin per 100 ml. of blood. Top-rating is either 14 or 16 (depending on the scale used), but I still prefer the old percentage method in which 100 per cent is obviously a satisfactory reading whereas a reading such as 60 per cent is far more readily appreciated as a problem by me.

Normal diet

There are two forms of anaemia in otherwise healthy people. The first is caused by sudden haemorrhage and can also occur by less obvious forms of chronic blood-loss, such as bleeding piles or heavy periods. The other type occurs in cases where there is a deficiency of blood but not enough haemoglobin. The essential elements required for the formation of normal red cells which are adequately stocked with haemoglobin include the following: protein, iron (obtained from red meat, eggs, green vegetables, peas, beans, etc.); vitamin B12 (very abundant in liver), which combines with a substance secreted by the stomach; folic acid, which is one of the B complex vitamins (obtained from green vegetables, liver, etc.); vitamin C (from milk, green vegetables, fruit, etc.); thyroxine (from the thyroid gland); and several trace elements.

Thus, a normal diet supplies every essential for adequate production of good red cells. A selection of Dr. Carrick's past articles on various health topics has recently been published by Bay Books, under the title of Executive Health. Price £4.95.

BY THE beginning of summer, Sandy Marshall must have thought 1979 was definitely not his year. In March, after 32 years with P & O, he left after a series of differences with Lord Inchcape, the chairman.

Then, in June, he had barely settled into his new job as executive chairman of the much smaller Bestobell when he learnt that BTR, the industrial conglomerate, was about to make a bid.

At first sight Bestobell looked more than a little vulnerable. BTR appeared to have both the firepower and an impressive growth record. Bestobell's dire (since 1975) profit record provided a stark contrast; what is more, it is so diversified in products, technology and geographic markets as to put its prospects practically beyond the comprehension of all but the most assiduous City analyst.

In the end BTR failed, conceding defeat in September. But the unwelcome bid turned out to be a blessing in disguise for Marshall. First, it had a unifying effect throughout the company. Managers and employees were not only more willing to accept him but rallied around him. Second, it meant that organisational changes, of which many were already under consideration, could be quickly implemented without opposition.

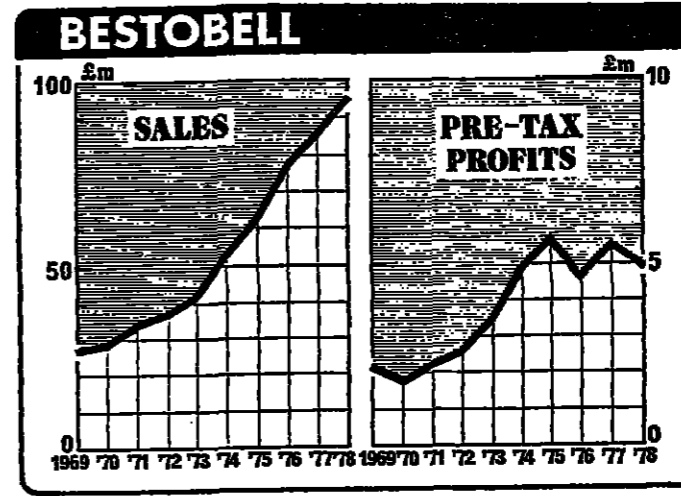
For a company of its size (last year's turnover was £35m) Bestobell is extraordinarily diverse. At one end of the scale it produces consumer products such as paints and window blinds; at the other it is in the highly specialised business of making custom-built seals for the aerospace industry.

And on the one hand it makes squash balls in Australia, while on the other it uses microprocessors and sonic waves in its British-made flow metering and process control equipment. But it is not just a manufacturing company. It is also involved as engineering contractors in heat and sound insulation and it has worldwide stock-holding and merchanting activities. One observer reflected: "You might say it is something of a dog's breakfast."

That Bestobell was able to fend off BTR was remarkable and can be put down to a mixture of skill, faith and luck. Bestobell's argument was, "yes," its profit performance was poor—it could hardly say otherwise—but that much of this was because

A mini-conglomerate fights to keep its independence

Jason Crisp on Bestobell's search for new stability in the wake of BTR's abortive bid.



Sandy Marshall (left) in the difficult days at P & O. At Bestobell he is captain of a very different ship, with its own peculiar brand of problems.

of investment in new products, whose benefits were just about to come through—in other words, BTR's bid was highly opportunistic.

The defence was certainly helped by Bestobell's major 10 per cent shareholder, Britannic Assurance (an institution well known for its aversion to takeovers) which objected to the bid. The defence was also sure-footed on the fact that its first defence document Bestobell forecast an increase in profits of 30 per cent for the current year, together with a rise in dividend of 15 per cent. As always in a bid, BTR was able to attack the credibility of the forecast, but it could not accuse Bestobell of mortgaging the future with too great a leap in dividend.

Once BTR had made its first "final" offer Bestobell published its interim figures a month early with profits duly 37 per cent up, leaving BTR looking a shade parsimonious.

BTR may also have failed because of the rather intangible factor of Sandy Marshall himself. Apart from a certain sympathy for him in the City—a number of people believe that the wrong man left P & O—there was also the point that he was a known figure, well liked and with a sound reputation. Even if people could not understand what Bestobell did, at least they could put their faith in Marshall. It should perhaps be added that the restructuring of the company which took place during the takeover battle did give Bestobell a somewhat more apparent logic.

Bestobell's origins go back a little over 100 years to John Bell and Son, which started producing asbestos in Glasgow. It was renamed Bells Asbestos and Engineering Supplies in 1929 when the merchanting business was started. It went public just after the war and embarked on a series of acquisitions, which were sometimes far from logical and were to make it the mixed bag it is today.

One early, and major, purchase was Ronald Trist, a neighbouring company on the trading estate at Slough which made controls for boilers and heating and ventilating systems. The

more unusual move, which took later meant Marshall had to bring forward the restructuring with almost indecent haste. He reflects that the defence would not have been credible "without a new look" to the company.

The changes have not been dramatic—to some extent they were cosmetic—but Bestobell does now appear to have a better balance, and a certain product logic does show through.

At the top there is a small "Chairman's office" with five main Board directors. Immediately below that there is a newly defined tier of "Heads of Operating Groups." Bestobell has been divided into six operating groups, each of which is profit responsible, unlike the previous situation.

Rejigged

These are: Australia—where 16 per cent of the shares are quoted—now responsible for running the Far East operations which previously reported to Slough; Africa, which is mainly in the South of the Continent and has been a declining proportion of Bestobell's business; plus four, slightly rejigged UK operating groups.

The largest of the UK operating groups is "Energy Conservation," which includes the production of thermal and acoustic insulation, steam traps which save energy on boilers, as well as the merchanting business. Merchanting is included in this group because it specialises in insulation, though it also

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Which is not something that can be said of the consumer products group, the second largest, with 27 per cent of Bestobell's UK sales. Completing the picture is the "Electronic Controls" group, including equipment for the measurement and control of fluids.

Marshall naturally sees one of Bestobell's strongest points as being the aviation division, which is now benefiting from "a once in a lifetime boom" thanks to the continued stimulus of the new generation of jets and with the replacement market. Marshall is reckoning on this boom lasting for 10 years.

The other area which he sees as fundamentally strong is energy conservation—including temperature controls, which are not actually in the energy group. Sound insulation is also likely to be a strong business, since noise is increasingly being seen as a form of pollution.

In several areas of the business, Marshall intends to speed up a move which is already underway in the company, going up-market wherever possible into what he calls "niche businesses." An example is in seals, where Bestobell is

already at the highly specialised end of the market. "Although our share of the total market is only 3-4 per cent it is the bit we want," he says.

However, Marshall still faces a number of problems, none of which will be easily solved. The immediate one is to remain independent, for BTR is still lurking in the wings with a 25 per cent stake in the company. Any further faltering in profit performance would be unlikely to be forgiven by those shareholders who resisted BTR's offer this time. (BTR could theoretically try again after next September, once the 12 months required under the Take-over Code have expired). Alternatively, its stake could be picked up by another potential buyer.

"We've run out of excuses," says Marshall, who confirms that profits this year—with two months to run—will be at least 30 per cent higher, as promised. The intense pressures for short term profit performance will not, of course, make long-term development any easier.

Another problem lies in the African business. Three years ago 40 per cent of Bestobell's profits came from the operations in Southern Africa, but a slump in business has cut the figure sharply. In the first half of this year it was only 12 per cent.

It is because Bestobell has long been aware of the obvious problems in Southern Africa that it has been concentrating on developing its resources in the UK—a process which is continuing. In the first half of this year 67 per cent of sales and 70 per cent of profit were in the UK—which may not be seen by everybody as a good balance, even if by going for "niche businesses" it may be better protected against recession than in the past.

The fact remains that a fair part of Bestobell is not a niche business, particularly the sizeable consumer division. Although Marshall is adamant that he is not intending to sell it, and would be foolish to do so, in the near future given BTR's continued presence, it is hard to see the division having a long term future in the company.

As for the current state of Bestobell's balance sheet, the management says it is making progress towards ensuring that its objective of internally funding UK growth will be achieved. It is proceeding with a plan to restructure certain overseas interests, thereby achieving a better balance of worldwide group borrowings and a not insignificant cash flow to the UK. The company's debt-equity ratio may have been further improved by the end of this year through the sale of its palatial country house at Stoke Poges, in Buckinghamshire.

Through all this, Bestobell would appear to have gained more cohesion and direction, going up-market wherever possible into what he calls "niche businesses." An example is in seals, where Bestobell is

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## New move on Ulster

THE INITIAL reactions to the latest British move on Northern Ireland have not been encouraging. Mr. Humphrey Atkins, the Secretary of State, told the House of Commons last week that the Government is preparing to invite leaders of the political parties in Ulster to a conference next month with the aim of seeking "an acceptable way of restoring to the people of Northern Ireland more control over their own affairs."

The move was entirely in line with the Queen's Speech at the opening of this Parliament, and cannot have come as a complete surprise to the parties concerned, even though they were not told of the former Secretary of State's intention in advance. Yet the Official Unionists have indicated an unwillingness to attend, the Democratic Unionists of Mr. Ian Paisley have been scarcely more receptive and there has been no great enthusiasm from the Catholic SDLP.

**Drift**  
Mr. Atkins, however, is right to go on trying. The main criticism of Britain's Ulster policy over the past year or so—whether it has come from home, from Dublin, or from further afield—has been the absence of a political initiative. It was to the great credit of Mr. Roy Mason, the former Secretary of State, that he used the early period of his office to re-establish security and to do something for the Northern Ireland economy. Yet Mr. Mason was one of the principal victims of the Labour Government's refusal to call a general election last October. By that time it was clear that a new dimension to the Ulster policy was needed, but it was unlikely to come from a lame duck government that became increasingly dependent on Ulster Unionist support. The situation in Ulster was allowed to drift, if not to deteriorate.

The Conservative Government has paid the price. The improvement in the efficiency of the Provisional IRA took place before it came to office, though some of the effects—such as the killing of Lord Mountbatten—were felt only afterwards. There was also a distinct worsening of relations between the army and the Royal Ulster Constab-

ulary as both groups sensed that the security situation was again getting out of control. At the same time, the absence of a political initiative, plus the successful propaganda methods employed by the IRA—for example, concerning the "H" block prisoners—led to an increasing interest in Ulster abroad, especially in the U.S. In Dublin too, where it has been belatedly realised that the IRA is as much a threat to the south as it is to the north, concern at the drift in British policy was growing.

**U.S. interest**  
All those factors came together to persuade the new Government that something more than the old British policy of seeking to contain the violence must be attempted. Even before Mr. Atkins's statement last week, there was already some evidence that a new policy was being formulated. The murder of Lord Mountbatten has at least led to closer co-operation on security matters than ever before between the UK and the US. The appointment of Sir Maurice Oldfield to head of the British intelligence activities should also help to improve relations between the army and the RUC.

Not least, it is worth noting that Mr. Atkins, who is so often criticised at home, appears to be liked and trusted in Dublin and has been praised for his latest initiative by leading U.S. politicians. The British may like the American interest in Ulster, but it is a fact of life which must be taken into account. It would be also unwise to believe that the interest of (say) Senator Kennedy is malign.

**Agenda**  
Mr. Atkins has deliberately left the outlines of his initiative vague, just as the parties in Ulster have declined to say categorically that they will not attend the conference under any circumstances. A consultative document is still being prepared. In the end it seems unlikely that the parties will refuse to have anything to do with it, even if the outcome is failure. It is an attempt that had to be made, if only to show how difficult it is to progress even an inch.

**Credibility**  
In Iran's case, the confidence that the West had in the Shah was reflected in massive arms sales which were seen as contributing to the security of the Gulf region. In the case of South Korea, trust in President Park has been reflected in the readiness of the foreign banking and business community to lend and invest massively because of a belief in the capacity of the country under his leadership to sustain rates of growth virtually unmatched in the world. Whoever does emerge on top will have an uphill task in re-establishing the credibility of the Government in South Korea. President Park was no ordinary politician. He was the pivot in a complicated network of power, seemingly President for as long as he wanted the post, and the man who held the whole system together.

Dictatorships usually tend to become insensitive with the passing years. President Park had a broad grasp of the economy and painted in broad strokes the direction he wanted it to take. He liked results, bullied his Ministers to achieve them and did not pay too much attention to detail. The approach seemed to work while the economy continued to expand at a fast clip. But when the initial signs of unrest began to emerge in such diverse forms as the massive success of the opposition New Democratic Party in the election or the sit-in by textile workers recently objecting to the closure of their factory, he liked results. Newspapers have been guilty of treating South Korea as a country in which politics did not exist.

In fact, as we increasingly know, political life had not been totally suppressed by President Park. As long as national income was still growing fast, open opposition was largely confined to intellectual dissidents, students and Christians. When the economy turned down last

# The great land barrier to Palestine peace

BY DAVID LENNON IN TEL AVIV



LAND HAS been at the centre of the struggle between Jews and Arabs in Palestine since before the turn of the century. Land is at the centre of the Camp David agreement into a lasting peace. It also was at the centre of two events which shook Israel this month.

When Mr. Moshe Dayan, the Foreign Minister, resigned on October 21, he said he was going because he differed from the majority of the cabinet over its policy towards the occupied West Bank. From his remarks it could be deduced that he objected to their clearly annexationist tendencies. The surprise caused by his resignation gave way to shock within the Government when the Supreme Court last Monday ordered the dismantling of a new Jewish settlement established on privately-owned Arab land on the West Bank. The court's rejection of the argument that the settlement served a military purpose undermined the basis on which land in the occupied territories had been taken for the more than 100 settlements established by Israel since 1967.

The deterioration of Israel's image in the West, and the U.S. in particular, has derived in no small part from international objections to the way in which it has taken occupied Palestinian land to implant Jewish settlers in the midst of the occupied population. Building Jewish settlements in the occupied territories is nothing new. For 10 years the then Labour Governments did it, arousing scant attention in the world at large. Most countries were content to accept that the settlements were needed for the defence of Israel.

**Rapid change in picture**  
But when Mr. Menachem Begin came to power with his right-wing Government 2½ years ago the picture changed rapidly. He immediately announced to all the world that the West Bank, or Judea and Samaria as he calls it in biblical terms, was a part of the no less biblical Land of Israel.

It did not take long for him to assert that it was an integral part of Israel, though he took no legal steps formally to annex the territory. He declared that many more settlements would be established, even in the areas where the Arab population was concentrated. The new Prime Minister had no compunction about acting on the West Bank as though it were part of Israel proper.

Rather than following the cautious policy of the Labour Governments, which had concentrated their efforts on sparsely populated areas, or places where the illiterate peasants hardly knew how to read to land requisition orders, he encouraged settlement in the midst of the populated areas.

There the land was not solely owned by simple farmers. Some of it belonged to richer, more educated men. They saw the threat coming closer to their pockets and went to the Israeli courts. Nine appeals and 1½ years later they finally had their victory over the Eilon Moreh settlement established in June beside Nablus, the largest town, on the West Bank.

The Supreme Court ruling caused calls within the coalition for the immediate annexation of the occupied territories, so that military subterfuge could be dropped and land be taken for settlement as a national goal. The Palestinians' joy was tempered by long experience of Israeli dexterity in finding new legalistic ways to pursue acquisition plans.

Israeli seizures of West Bank land started immediately with the capture of the area in the war of 1967. Three villages were razed in the Latrun salient which jutted across the direct route between Jerusalem and Tel Aviv. Their land was taken over for Israeli farmers, as was a public forest.

At the time this was presented by the Government as the removal of one of the border anomalies left by the fighting in 1949. The basic concept was that this land would not be returned, even if a negotiated settlement was reached to return the bulk of territory to Jordan.

The other immediate area of action was Jerusalem, where Israel immediately annexed the eastern Arab part of the city which had been under Jordanian rule. It consisted of about 67 square kilometres, with an Arab population of some 70,000. Determined that the city should never be divided again, Israel immediately began building new Jewish suburbs in no man's land and in the Arab part of the city. Much land was expropriated for this purpose. The building of a ring of Jewish housing around the Arab residential areas is still going on.

About the same time a plan was devised to protect Israel's eastern front from surprise attack. This entailed setting up a string of Jewish settlements in the Jordan valley, along the western bank of the Jordan river. Today 24 settlements exist in the Jordan valley and on the hills overlooking it, as a sort of agrarian early warning system or trip wire.

Action was also taken to re-establish the settlements at Kfar Etzion, just south of Jerusalem, which had been overrun by the Jordanians in the 1948 fighting. Settlements were also started on the Golan Heights, the Gaza Strip, and the Sinai. But the West Bank and Gaza Strip are the areas where Jewish settlement is a threat to the possibility of an agreement on the Palestinian issue.

Israel has established military governments to administer the occupied territories. International laws regarding occupied territories are applicable to

these areas, though Israel had some objections. It never recognised that the 1949 Geneva Convention Relative to the Protection of Civilian Persons in Time of War applied to the occupied territories.

This proved crucial, because the Fourth Geneva Convention of 1949 forbids the transfer of the civilian population of an occupying power to occupied territory. It is on this point of law that the U.S. and many other countries, base the charge that the settlements are illegal. Israel denies the applicability of the Geneva convention on a number of counts, one being that sovereignty over the West Bank was not clear at the time of the occupation and, second, that the reference to transfer of population was intended to prevent a repetition of the population transfers carried out in Europe by Hitler.

**'Shaky legal foundation'**

But Professor Yoram Dinstein, Professor of International Law at Tel Aviv University, says that "there is no country in the world willing to accept this contention which is based on shaky legal foundations, and, in practice, Israel admits the applicability of the convention's humanitarian directives to the administered areas."

Israel does accept the applicability of The Hague convention of 1907 concerning laws and customs of war on land. It accepts its ruling about the use of occupied land, the relevant aspect there being that the occupying power may requisition land for temporary use in cases of military necessity. This was the provision invoked to take the land for Eilon Moreh, and the failure to prove military necessity in title.

How much of this land has Israel acquired since 1967? According to those same sources in the defence establishment, the picture regarding privately owned land on the West Bank is as follows: 61,000 dunams requisitioned (on the grounds of military necessity and for temporary use); 80,000 dunams purchased by Israelis; 42,151 dunams expropriated (for public purposes to benefit the local population); 970,000 dunams closed by the military government (for use by the army for manoeuvres and training. Farmers can apply for permits to use their land when not needed by military).

For the Gaza Strip the picture is: 40 dunams requisitioned, none purchased by Israelis, 700 dunams expropriated, and 11,000 dunams closed by the military government.

If these figures are added together with state land, which Israel treats as its own, the total area affected in the West Bank is 2.1m dunams (about 38 per cent) and in the Gaza Strip 51,740 dunams (about 16 per cent).

The cabinet decided at a meeting two weeks ago that land to which there is no clear title, unregistered land as it is often called, would in future also be regarded as state land. This means that another 1.5m dunams on the West Bank and 63,000 dunams in the Gaza Strip can be used by Israel for settlements without any individual being able to appeal against this use of the land.

The Mayor of Gaza, Mr. Rashad al-Shawa, argues that this Israeli use of the state lands is completely wrong—that the land belongs to the people who inhabit it, and is not supposed to be distributed among Israelis even if they currently are the occupying power. One Palestinian expert on the land question noted that Israel treats the state land as though it were the sovereign power. By doing so, he noted, Israel is prejudging the eventual status of the area which, according to the Camp David Agreement, should only be decided in five years. It is what Mr. Dayan, when he was Defence Minister, used to call "creating facts."

been done by the Palestinians in the Gaza Strip, but according to Mayor Rashad al-Shawa and other residents, the army closed off 60,000 dunams early in the 1970s. Today three settlements are on this land, and more are planned. In addition there are two other settlements in the strip, one on the site of an Israeli settlement lost in the 1948 fighting. The Israeli sources had no figures for land used for settlements in this area.

The occupying power is entitled under the Hague Convention to requisition land for military needs and for "temporary use." But Israel intends its settlements to be permanent and it is this which leads many to regard the use of requisitioned land for settlements as illegal. However, so far, the Israeli courts have rejected this argument when put by the Arab landowners.

**Displacement denied**

The Palestinians complain that the settlements are displacing the farmers who eventually will be displaced. It is pointed out that in the Jordan Valley, which 100,000 Palestinians, mostly refugees, left after the 1967 war, Israel has taken control of 40 per cent of the farm land.

Today there are 2,000 Israelis farming that land, while the remaining 22,000 Palestinians have to make do with the other 60 per cent.

Israel denies that a single Palestinian was displaced when land was given to the settlements. But this is countered by Dr. Paul Qutub, who has made a detailed study of Israeli land acquisitions. Last year he wrote that taking land from Arab villages is not an abstract matter because "farm land is the basis of the village economy." After detailing cases of individual farmers who lost most of their land to Israel, he went on:

"The people continue to live in their homes, with some perhaps even prospering in their new employment (most likely a job taken as a day labourer in Israel to support his family), but the economic base on which the village was built has been taken out from under them. When the political or economic climate changes and it is no longer possible for the labour force to find work as labourers, they have nothing to return to in their villages."

It certainly is difficult to see how it will be possible for Israel to take land for settlements without adversely affecting the indigenous Palestinian population. There are already many indications that settlements built some years ago are demanding more land. In many cases they will only be able to expand at the expense of the surrounding Arab villages. Each day news of fresh moves by Israel to take land are announced. The struggle begun before 1900 continues.

No such detailed work has

## Brittleness of one-man rule

THE CIRCUMSTANCES of the shooting of President Park Chung-hee and the shape of the power struggle in South Korea are far from clear. But what is extraordinary events in Seoul over the weekend do demonstrate, as did the downfall of the Shah of Iran, is the vulnerability of dictatorial regimes pursuing policies rapid social and economic change.

**Credibility**  
In Iran's case, the confidence that the West had in the Shah was reflected in massive arms sales which were seen as contributing to the security of the Gulf region. In the case of South Korea, trust in President Park has been reflected in the readiness of the foreign banking and business community to lend and invest massively because of a belief in the capacity of the country under his leadership to sustain rates of growth virtually unmatched in the world.

Whoever does emerge on top will have an uphill task in re-establishing the credibility of the Government in South Korea. President Park was no ordinary politician. He was the pivot in a complicated network of power, seemingly President for as long as he wanted the post, and the man who held the whole system together.

Dictatorships usually tend to become insensitive with the passing years. President Park had a broad grasp of the economy and painted in broad strokes the direction he wanted it to take. He liked results, bullied his Ministers to achieve them and did not pay too much attention to detail. The approach seemed to work while the economy continued to expand at a fast clip. But when the initial signs of unrest began to emerge in such diverse forms as the massive success of the opposition New Democratic Party in the election or the sit-in by textile workers recently objecting to the closure of their factory, he liked results. Newspapers have been guilty of treating South Korea as a country in which politics did not exist.

In fact, as we increasingly know, political life had not been totally suppressed by President Park. As long as national income was still growing fast, open opposition was largely confined to intellectual dissidents, students and Christians. When the economy turned down last

## MEN AND MATTERS

**Boning up for Hua**

The questionable Western vogue of meeting for breakfast is actually being inflicted on him, but Chairman Hua Guofeng of China will find himself talking turkey soon after digesting his kippers at Claridge's tomorrow. One of his less-publicised engagements is a meeting at 8.45 am with GEC chairman Lord Nelson, president of the Sino-British Trade Council. The interpreters should have an easy time of it. Vice-president Bernard Buckman, who will also be present, speaks good Chinese.

Chairman of the Wogen-Buckton Group, Buckman is one of Britain's more experienced China-watchers. He knew both Chou En-lai and Mao, and has visited the country at least twice a year since 1953. According to Buckman, Hua will be well-prepared: "The Chinese know the markets in detail—they collect all the intelligence they can, from their commercial offices, from their embassies, from Reuters... When you come away from doing a deal it's as if you've done a viva."

Hua's interest, says Buckman, will be in specifics, and it has been made clear that China will not buy until it has been able to sell. His own group is prepared to buy £50m worth of metals in the first year of any agreement. However, he is pessimistic about British industry in general waking up to the possibilities in China: "Most people here are very conservative. They don't realise the Industrial Revolution was a long time ago." West Germany's trade with China is, he points out, twice that of Britain's annual £350m.

Ironically, Buckman's own interest in trading with China was aroused at the 1952 Moscow Economic Conference. He tells me that after three days of vacuous speeches about trade



"No, no, The Mousetrap has been running longer."

friendship he went back to his hotel and was having a drink in the lounge, where he ran into another truant, Dr. Chi Chao Ting, leader of the Chinese delegation. He turned out to be equally tired of economic platitudes, and liked the sound of the expression "nitty-gritty."

**Floating votes**

Sir Michael Edwards has every reason to hope for a resounding "yes" to his proposals for streamlining BL not least because of doubts surrounding the number of ballot papers in circulation (yesterday's closing at midday tomorrow). According to a union survey last week there could be an excess of as many as 40,000, an error of 25 per cent.

Certainly one man is mystified to have been asked to join in the democratic process. J. S. Jones-Robinson, a one-time student trainee who was being seen through a course at London's Imperial College by BL, de- liberately, he writes, failed his course: "I was fired by BL in July 1978, so I was surprised to receive the enclosed scraps of paper..." On his estimate

around 10,000 people would have left BL in the last year.

"Computers aren't always kept up to date," says Peter Crisell, deputy controller of the Electoral Reform Society, which is supervising the ballot, but was not, he emphasises, responsible for sending out the papers. "There is no such thing as a perfect ballot."

**Courting approval**

Far inside the scrublands that surround the futuristic capital of Brazil there lives a community devoted to cultivating recondites of the type popularised in a recent film. According to messages being received there, our extraterrestrial cousins are unhappy with the way things are going on earth; we are, it seems, regarded as unruly, lazy, and backward. In order to curry favour with our future rulers, General Uchoa, a four-star Brazilian staff officer, has built a landing strip considered suitable for all known or imagined models of UFO. A large part of the Brazilian population is right behind him: the country is a hotbed of UFO sightings.

Given such a close relationship with "out there," Brasilia was the logical venue for the weekend for the first International UFOlogy Congress, which attracted 300 flying saucer experts and others. I am told the air was thick with curious revelations. Professor Romeo Sanchez, for instance, a member of the Portuguese Centre of Cosmological and Parapsychological Studies, is certain that both the Russians and the U.S. know a great deal about UFOs, and are deliberately keeping mum. "They want to gouge on a UFO," insists the professor, "assimilate its secrets, and dominate the world." The UN, he says, should set up a special commission at once "to unveil these mysteries."

Another member of the Portuguese group feels sure one of the mysteries concerns the apparitions of the Virgin Mary

in Fatima in 1917. "The Virgin plots a spaceship?" demanded one incoherent pressman.

**Timely exit**

The move of Spillers' headquarters from its impressive position opposite St. Paul's to darkest New Malden will strike a chord in the breasts of dispersed members of the Location Offices Bureau, that early victim of the government's quango hunt. Neither LOB nor the recent Dalgety takeover has, apparently, anything to do with it. Spillers' departure from London is a simple question of economics.

Special projects chief Norman Alloworth tells me the rent of £100,000 a year was due to rise to £1.4m in 1981, making the combined rent and rates bill £2m a year. This is roughly what it will cost, along with redundancy payments, to move to New Malden, and the bulk of this will be offset by the £1.6m Spillers is getting for the stub-end of its lease on Old Change House.

The new building was at one time occupied by the Inland Revenue and according to Spillers had to be demolished and rebuilt, apart from the central core and the lift-shafts, because the weight of paper caused the whole structure to buckle. "The building was faulty in its construction," says the Inland Revenue with dignity, "and faulty in its design. You could go out to lunch and come back to find the filing cabinets on the other side of the room."

**Line of patter**

Commuters are evidently unconvinced by British Rail's latest excuse for cancellations: autumn leaves causing "flat wheels." A reader on an Inter-City train on Friday found the announcer had returned to the more conventional: "There will be an extension of timings on this train."

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مكتبات الأحياء

# FINANCIAL TIMES SURVEY

Monday October 29 1979

## European Construction Equipment

The continued decline in construction activity throughout the world is subjecting the equipment suppliers to increasing pressures. Even the big multi-national groups are finding the going hard. As the largest market next to America, Europe presents a confused picture of success and failure.

### Changing patterns of demand

By Hazel Duffy  
Industrial Correspondent

THE EUROPEAN market for construction equipment is estimated to be worth around \$5bn, equal to about a fifth of the total world market (excluding Comecon and China).

It is the second largest market after North America, which takes over 40 per cent of world production. Although relatively stable within the context of its proportion of world demand, the pattern of demand varies considerably from country to country. With a large number of companies at both multi-national and national level, it is also one of the most competitive markets—in which many producers have found it difficult to make any profit over the past few years.

Construction equipment is a category of capital goods which is dependent on a number of factors for its well-being. The most important is the level of activity in the construction industry, which in turn depends to a large extent on the availability of finance in the public sector and the health of the economy in the private sector.

Public sector works have been at a much-reduced level in Europe in the past few years and road-building has suffered in particular. The change in economic factors in Western Europe (notably in the UK), combined with the prospect of a persistent energy shortage, has led governments to abandon some of their ambitious construction schemes, and to concentrate instead on repair, maintenance and improvement of existing structures.

This change of emphasis in construction projects is expected to lead to greater demand for smaller and medium-sized equipment in Europe, to the obvious advantage of those companies which can produce this sort of equipment.

Smaller equipment has tended in any case to be more popular in Europe—hence the proliferation of companies making wheeled loaders, for instance—than on the large new construction projects in the Middle East. American companies which have manufacturing units in Europe also tend to concentrate on smaller equipment, meeting the more limited demand for large machines by stripping them over from the U.S.

industry in Europe is geared to exporting a large proportion of its output as well as satisfying the needs of the home markets in which they operate. The multinationals often supply the Middle East, Africa and in some cases the Far East from their European factories. It is partly for this reason that the industry in Europe is suffering from the fluctuations in demand in other parts of the world, and particularly in the Middle East.

The structure of the industry in Europe divides companies into roughly three categories—the multinationals (including Caterpillar, J. I. Case, Clark, Fiat - Allis, International Harvester, Deere), the larger nationally-based companies like Orenstein and Koppel, Volvo BM, Demag, Babcock Construction and many others, followed by the small companies which make perhaps only one or two products for which they have established a small, probably local, market share.

### Casualties

The difficult conditions which have largely prevailed since the collapse of the boom five years ago have brought casualties in all three categories in the past year. At the multinational level, Massey Ferguson is negotiating to sell Hanomag to IBH of Germany, while Ford has been forced into selling most of its Richier assets to Sambro in France. Both companies had taken over these established national manufacturers in the early seventies, but had been

### EXPORTS AND IMPORTS BY LEADING EUROPEAN COUNTRIES IN 1979

(Civil engineering and contractors' plant—\$m)

	Exports	Imports	Balance
West Germany	1,253.8	504.2	749.6
U.K.	1,084.6	434.9	649.7
France	928.3	403.8	524.5
Belgium/Luxembourg	520.8	262.4	258.4
Italy	423.5	215.9	207.6
Sweden	299.5	102.9	196.6
Austria	159.0	94.2	64.8
Netherlands	114.2	197.1	-82.9
Japan	811.9	53.0	758.9

Source: OECD.

unable to avoid losses when the market turned sour.

At the national level, there has been the break-up of Aveling Barford following big losses, and among smaller companies there have been several forced sales. There are many more sellers of construction equipment companies around than there are buyers. And it seems likely that there will be more rationalisation over the next two to three years as market conditions force a reduction in capacity.

European governments are very conscious of the contribution that multinationals make to the engineering industry. In construction equipment they are responsible for probably 50 per cent of output in the main producer countries. But it has been noticeable in the agreement on Richier that the French Government was willing to get financially involved in order to

ensure that the company fell into European hands. In Germany, too, it is expected that the state of Lower Saxony will provide loan guarantees to help IBH in its takeover of Hanomag. In the UK, the Government had been at pains for some time to create a British-owned group which was large enough to compete with the multinationals. As a subsidiary of the Government-owned B.L. (British Leyland) it had been hoped that Aveling Barford would meet this ambition. In the event, AB became too weak to keep itself alive, but there are still hopes that if the Acrow/AB deal goes through, this will form the nucleus of a substantial British company.

### Advantages

The U.S.-owned multinationals in Europe derive a huge strength from the

American market, where sales have been buoyant. They also have the advantage, in many cases, of making a large proportion of their own components at locations both in the U.S. and Europe, thus giving them cost advantages over manufacturers who buy from independent sources.

In spite of these advantages, the past year has shown that the multi-nationals are not having it all their own way. Normally they have found it difficult to take the market lead over the established national companies. Where they have taken over such a company to give immediate entry into a market, the results have been sometimes disastrous, as with Massey Ferguson and Ford. The alternative of setting up independently, which John Deere is now in the process of doing, is expensive and slow. Even in companies which have been established for a long time in Europe, the European subsidiaries have in some cases not received sufficient direction and support from the parent.

The future for the construction equipment industry, as for many others, is uncertain in the wake of the latest energy crisis. As the U.S. goes into recession, the pressure to find other markets will increase. The economics of manufacturing construction equipment demands volume production for those large companies with high overheads, so the natural course is to export when the home market declines.

The competitive edge that has been bestowed on the U.S.

industry by the fall of the dollar means that American companies will often be at an advantage over the Europeans South America and Mexico are obvious markets for the Americans; the Far East includes countries which must still undertake large construction projects like harbours, roads, housing, but American companies are up against intense competition in these countries from the Japanese manufacturers. In Africa, the slowdown in Nigeria has affected construction projects, but there are hopes that these will be revived. The Middle East, meanwhile, remains a market with many opportunities, but the slowdown there has been intensified by the cancellation of many Iranian projects.

### Dealers

Worldwide sales can only be achieved when companies have extensive and well-financed distribution networks. Most manufacturers sell through independent dealers, but their ability to find good dealers in the first place, particularly in the developing world, depends to a large extent on the range of products with which the dealer can be supplied. The Caterpillar distribution network is generally acknowledged in the industry to be the best there is. This sort of network, which depends on a broad line of products, is out of reach of most European companies. Some companies have tried to set up such networks, at great expense, but

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have not been able to maintain them. The dealer in the construction equipment business means much more than the automotive dealer. He does not just sell, he also services the equipment and ensures that parts can be quickly replaced and expensive equipment put back into service.

Construction equipment is continuously being adapted for new functions. Indeed the ingenuity of the industry in responding to these demands is one of its most notable strengths. The success of the rough terrain lift truck, which is being used extensively in farmwork as well as on construction sites, is an example of where new markets can be

CONTINUED ON NEXT PAGE

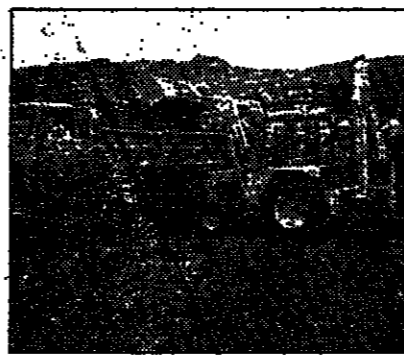
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EUROPEAN CONSTRUCTION EQUIPMENT II

# America's dominance in world markets



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THERE HAS been much talk in the last year or two about the declining competitiveness of American manufacturing industry and about its lack of attention to export markets, even after the decline in the value of the dollar had made export sales more profitable. In some sectors of mechanical engineering where American companies have traditionally been strong, such as machine tools, the U.S. has become a net importer.

Yet if there is an American disease, it has not infected the construction equipment industry. In this sector the U.S. remains overwhelmingly the world's largest exporter. Despite efforts by Japanese and European companies to step up their sales in the U.S., the trade surplus remains huge and consistent. It is true that America's share of world exports has declined in the past 20 years, from 50 per cent to around 35-40 per cent, but this in part reflects the decision by American companies to supply certain overseas markets from factories outside the U.S. These investments have helped to reinforce the dominant position of American companies in the international market.

There are several reasons for the continuing strength of the U.S. construction equipment industry. First, in certain types of equipment, particularly large earth-moving equipment like crawler tractors of over 200 hp, the Americans were the technological leaders, partly because the U.S. market called for such machines much earlier than did Europe and the rest of the

world. This early leadership has been backed up by heavy investment in product development and in manufacturing facilities.

The domestic U.S. market provides the base volume to support this investment; as other markets began to require more productive and more sophisticated equipment, the Americans were able to supply the right machines at an economical price. Although Komatsu of Japan has probably come nearest, it has proved difficult for foreign companies to close the technological gap.

### Lead

Secondly, success in the world construction equipment business depends at least as much on distribution as on the excellence of the product and here again the Americans have made good use of their early lead. In developing countries especially, the number of distributors who have the organisation and financial strength to handle a full range of construction equipment, and support it with adequate spares and service, is very limited, perhaps no more than two or three. The machines themselves may cost several hundred thousand dollars and the investment in spares may run into several million dollars. Once a distributor is committed to, say, Caterpillar, it is virtually impossible for one of Cat's rivals to persuade him to switch allegiance. He may, of course, take on franchises for other equipment which Caterpillar does not make, and this provides an opportunity for

Table 1: SOME LEADING U.S. COMPANIES (1978—\$m)

Company	Sales of construction equipment	Total sales	Principal products
Caterpillar	6,163	7,219	Broad line
Komatsu (Japan)	1,975	2,473	Broad line
J. I. Case*	1,279	1,955	Broad line
Deere	858	4,155	Broad line
International Harvester	852	6,664	Broad line
Fiat-Allis	785	2,332	Broad line
Ingersoll Rand	684†	1,503	Compressors, compaction equipment
Clark Equipment	636	1,503	Loaders, cranes, scrapers, graders
Dresser Industries	567‡	3,054	Compressors, graders, rollers, power shovels
FMG Corporation	458§	2,913	Cranes, excavators
Massey Ferguson	437¶	2,926	Broad line
Koehring	383	417	Cranes, excavators, compaction equipment
Harnischfeger	369‡	481	Cranes, excavators
Groff	310	310	Mobile cranes
American Standard	309†	2,111	Graders, scrapers, dump trucks
American Hoist	299	212	Dump trucks
Euclid	212	182	Road-making machinery
Barber-Greene	182	439	Cranes, hoists, road-making equipment
Bucyrus-Erie	132	534	Cranes, excavators

Note: The figures for construction equipment sales are not strictly comparable since companies classify their sales in different ways. One major company not included in the list is General Motors, whose Terex subsidiary, making dump trucks, loaders and other equipment, does not publish separate sales figures.  
\* Subsidiary of Tenneco. † Including mining machinery. ‡ Including power transmission products. § Including industrial machinery. ¶ Subsidiary of Walter Kidde. ‡ Subsidiary of Daimler-Benz.

Table 2: CATERPILLAR OUTSIDE THE U.S. IN 1978

Region	Export sales of U.S.-manufactured products (\$m)	Sales of non-U.S.-manufactured products (\$m)	Total sales (\$m)
Europe	412.9	519.0	931.9
Africa, Middle East	496.6	370.0	866.6
Canada	370.1	61.7	431.8
Latin America	503.3	168.1	671.4
Australasia	398.7	166.7	565.4
TOTALS	2,184.1	1,285.5	3,469.6

Source: Caterpillar annual report.

A third factor behind the success of the American industry is its strength in depth. This is illustrated in accompanying tables of companies. The list, which is not comprehensive, runs from Caterpillar, a broad-line manufacturer with total sales of over \$7bn a year, to Barber-Greene, the world's largest producer of concrete and asphalt pavers with sales of \$182m a year. Although Caterpillar is far and away the leader, it is kept on its toes by three strong companies battling for second place—J. I. Case (a subsidiary of Tenneco), Deere and International Harvester. All these companies now offer a broad line of equipment and have the financial and technical resources to offer a real challenge to Caterpillar.

Most of the other companies in the list have special points of strength. Clark Equipment is one of the leaders in wheeled loading shovels. Bucyrus-Erie has top position in large, cable-operated excavators and draglines. Grove and Harnischfeger are two of the world's largest manufacturers of mobile cranes. Finally, most of the producers shown in the table are very

specialist equipment suppliers. European and Japanese as well as American. For example, one of the largest international distributing companies is Blackwood Hodge of the UK. Its most important franchise is Terex, the General Motors subsidiary, which makes crawler loaders, wheeled loaders, scrapers, dump trucks, and other machines; but the line is filled out with equipment from a variety of other manufacturers.

much international companies, with manufacturing subsidiaries or associates situated in their major markets, particularly Western Europe and Latin America. Barber-Greene, for example, has a substantial factory in the UK which not only supplies the domestic market but is also used as the source for overseas markets that can more easily be supplied from the UK.

### Network

On a larger scale Caterpillar draws strength from its ability to supply, say, the Middle Eastern countries with products sourced either in the U.S. or in Western Europe—or for that matter in Japan, from its company jointly owned with Mitsubishi. This network of factories affords opportunities for economies of scale in components and in finished products; one factory may be designated as the primary world source for a particular machine, drawing engines and components from

other Caterpillar companies around the world. Table 2 shows that within the Caterpillar network the U.S. remains a very important source of product for export markets. Out of total overseas sales of \$3.5bn in 1978, more than 60 per cent, or over \$2bn consisted of U.S.-manufactured products. Similarly Bucyrus-Erie exported \$171m worth of U.S.-made products in 1978. Another \$147m of sales were made by its UK subsidiary, Ruston-Bucyrus, and by its Japanese affiliate, Komatsu-Bucyrus.

The Americans, of course, are not infallible and some of their overseas ventures have gone awry. Ford's failure with Richier in France—bought in 1972, partially sold this year to Sambron, one of the few major French-owned companies in this business—is one example. Another is Massey-Ferguson's acquisition of Bamomag in Germany; the German group IBH is now negotiating to buy this company from Massey-Ferguson.

But both these cases involved North American companies moving out of product areas in which they had experience into new sectors of the business. Neither Ford nor Massey-Ferguson had a strong U.S. base in a broad line of construction equipment. It is that base, and the technological and market leadership which they have achieved in their domestic market, that gives the major American companies such a strong international position.

This year should see U.S. exports of around \$4.5bn, slightly ahead of 1978 despite the virtual disappearance of two important markets, Iran and Nigeria. (In the first six months of this year these markets took U.S. exports to the value of \$5.5m and \$7.1m respectively.) Some 22 per cent of the industry's total exports come to Europe (including Eastern Europe). For the leading construction equipment companies of Western Europe the challenge is not so much to push back the American tide but to participate more fully in the U.S. domestic market.

G.O. Geoffrey Owen

## Changing

CONTINUED FROM PREVIOUS PAGE

created. In the energy recovery area also there are likely to be growing opportunities for the manufacturers of construction equipment. Crawler tractors, loaders, graders and off-highway trucks are all used extensively in surface mining. If, as expected, the development of energy sources other than oil is stepped up, there will be a growing demand for this type of equipment.

In some instances companies specialise in equipment for mining purposes. They do not have to be large companies. If they know their markets and can manage to maintain programmes on research and development to ensure that their products are kept up to date, they can probably survive even in the face of intense competition. The same applies to equipment which is sold for construction purposes.

But there is a strong case to encourage the formation of larger units in Europe. The most interesting development in the past year has been the creation of a European group by IBH, which now has companies in Germany, France and the UK. This is a European group, without American influence, which crosses national

boundaries in Europe. It is something that the industry has been wanting to see for some time and it will be interesting to see whether more mergers follow along a similar pattern. Construction equipment is a relatively young industry, but which has unfortunately lost some of its vigour in Europe as a result of five years of depressed conditions. The immediate outlook does not offer much in the way of growth in demand, but in the longer term there is no doubt that the world will need to undertake large construction projects. The task now is to create the efficient companies which will be in a position to take advantage of the opportunities in the future.

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مكزائن الاجهزة

EUROPEAN CONSTRUCTION EQUIPMENT III

Europe's central trade role

WESTERN EUROPE occupies a central position in world construction equipment trade...

construction equipment business) and Mannesmann-Demag, whose bid for Harnischfeger is being examined by the Federal Trade Commission...

largest source of imports. Japan's overseas activities have been limited to some extent by the licensing agreements which they have on certain products...

Federal Trade Commission has been investigating another joint venture between Komatsu, the country's largest construction equipment company, and Bucyrus Erie of the U.S.

Europe. Most of its overseas sales were to the Middle East (45 per cent), Asia (22 per cent), Africa (20 per cent) and Latin America (7 per cent).

The Japanese industry is certain to strive for a higher share of the European market, but the gains are likely to be slow and hard-earned.

Geoffrey Owen

PRINCIPAL IMPORTERS INTO THE U.S.

Table with 2 columns: 1978 (\$m) and 1979 (Jan-June) (\$m). Lists importers like Japan, Canada, West Germany, UK, Italy, France, Belgium, Sweden, Mexico, and Sweden.

export business into the U.S. from Japan, West Germany, the UK and other countries. But the direct exporter needs to have a product which is not only competitive in price and quality but preferably offers something sufficiently special to attract strong distributors.

Enviably

Much the same reasoning lay behind the purchase by Britain's Babcock International of Allatt, a Canadian company which specialises in asphalt pavers and other road-making equipment.

A local presence in the U.S. is normally essential as a means of maintaining close contact with dealers and providing them with the support. This has certainly been the experience of Dynapac, the Swedish compaction equipment manufacturer, which set up its own sales subsidiary as early as 1946.

Among British companies J. C. Bamford has been pushing hard into the American market with its backhoe loaders. Despite strong local competition the JCB name is well established as one of the world's leaders in this product category and this provides a basis on which to promote sales in the U.S.

Pushing into the U.S.

Yet those who have taken advantage of the single market are primarily the North American producers. The strength of the American industry and its activities in Europe are discussed in separate articles in this survey.

A perennial question in the construction equipment trade concerns the future of these companies in world markets. Will they have the technical resources to keep up with the multinationals in product development?

EUROPEAN COMPANIES seeking a position in the U.S. have to decide whether to attack the market by direct exports, by local manufacture or by a combination of both.

The range is somewhat wider than the Faun loader line, both at the bottom and at the top. Rothstein hopes to double the annual output fairly quickly.

Unlike Faun, Demag is already a significant exporter to the U.S. It has its own sales subsidiary there and it has sold a number of large hydraulic excavators (particularly for open-cast mining) as well its big lattice and telescopic boom cranes.

strengthen its position in the international market. Another German company, Daimler-Benz, bought the heavy dump truck manufacturer, Euclid, from White Motor Corporation in 1977 but this was more in the nature of an investment in a related industry.

Route

So far few European companies have followed the multinational route. The outstanding exception is Fiat-Allis, which has factories in Italy, the UK, the U.S. and Brazil.

The demand for construction equipment will certainly be there, especially in the developing countries. Most of the types of machinery which these countries need are too sophisticated or too expensive to be made locally.

Faun has a separate business making axles and hydraulic components and these may be used in the American-made machines, but Rothstein's main motive in acquiring the Eaton factory was to obtain a stake in the U.S. market and a manufacturing base outside Germany from which to supply certain other overseas territories.

A much bigger transaction, if it comes off, is Mannesmann-Demag's proposed takeover of Harnischfeger. This company is one of the leading U.S. crane and excavator manufacturers; with total sales of nearly \$500m last year, it has a strong position in the U.S. and internationally.

Unlike Faun, Demag is already a significant exporter to the U.S. It has its own sales subsidiary there and it has sold a number of large hydraulic excavators (particularly for open-cast mining) as well its big lattice and telescopic boom cranes.

Distribution is one of the keys to success in the U.S. market. The advantage of buying an established manufacturer is that it already has its market-

Ford means Construction Equipment... in any language



FORD CONSTRUCTION EQUIPMENT. BUILT TO BE RELIED ON



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## EUROPEAN CONSTRUCTION EQUIPMENT IV

## Uphill task for Britain's team

DEMAND FOR construction equipment in Britain has been very depressed over the past year, and it seems likely that output in 1979 could be as much as 20 per cent down on last year.

In addition to depressed conditions in the home market, the British industry has also found itself at a disadvantage in overseas markets because of the strength of sterling during this period and the impact of high wages and salaries on the cost-competitiveness of British companies. While these factors are of concern to multinationals manufacturing in Britain, they are particularly acute for those British-owned companies which have to operate from the narrower base of a small home market.

Nevertheless, some companies have managed to prosper, in particular those that have been successful in finding new markets for their products. The "shake-out" process which inevitably follows difficult periods of trading has begun in earnest in the UK and it can be expected that the industry which emerges from this process of rationalisation will put greater emphasis on the ability to compete in international markets.

The most prominent casualty of the slimming-down process this year has been the Aveling Barford group of companies. After a period of consolidation under the ownership of BL (British Leyland), the group had begun to find its feet, and expansion into a worldwide sales operation was under way. But two years ago it began to feel the effects of the growing competition in international markets. Last year the group's losses were as high as £5m. Earlier this year BL decided to dispose of Aveling Barford. The initial plan was to sell off the group as a whole, but it quickly became clear that this was not possible. In June, BL announced that it would be closing down the Gainsborough plant of Aveling Marshall, where losses of around £7m were a prime factor in the overall malaise of the group. It is possible, however, that the crawler tractor known as the Track Marshal will be taken over by an agricultural equipment manufacturer.

The Acrow group is currently in negotiation with BL with a view to purchasing the Grantham plant of Aveling Barford. If the deal goes through, it will preserve those products — particularly the range of off-highway dump trucks, road rollers and motor graders — for which Aveling Barford is well known. Negotiations are also being conducted with potential purchasers of the other two companies in the Aveling Barford group — Goodwin Barsby (specialising in asphalt plant) and Barfords of Bolton (producing a range of dumpers, and concrete mixers).

If the Acrow takeover of Aveling Barford is concluded (current indications are that there could be a settlement by December), it will make Acrow the largest British-owned manufacturer of construction equipment, with a turnover in excess of £100m. Its subsidiaries include Cole's Cranes, a world leader in mobile cranes, and Priestman, which has a strong position in hydraulic excavators.

Energy exploitation will present a growing challenge in coming years, and many parts of the construction equipment industry will find opportunities here. Open-cast mining, for instance, needs mining shovels, while in the UK there are two manufacturers, Ruston-Bucyrus in Lincoln and Ransomes and Rapier in Ipswich, which can make the giant walking draglines. Another example is the market for cranes presented by offshore oil recovery — Priestman has just completed tests on

a remote control crane which is to be delivered to Conoco for use on an oil production platform in the Murchison field.

Coles, which this year celebrated its centenary, has been the subject of a big investment programme under Acrow ownership, and growth was achieved throughout the 1970s. But increasing competition in the industry, the slowdown in growth markets in the Middle East, and worldwide overcapacity have all combined to put pressure on Coles over the past year.

Over 50 per cent of the industry's sales and exports from Britain is accounted for by multi-national interests. The worldwide sourcing policy of such companies is partly responsible for the growing penetration of imported equipment into the UK, which has grown from 37 per cent of sales in 1971 to over 60 per cent today. Another factor is increasing international specialisation of products.

## Concern

The industry itself, however, expresses some concern in its most recent NEDO sector working party report on the number of hydraulic excavators being imported from Europe, as well as wheeled loaders, which are manufactured by a number of British companies.

Hymac, the leading producer of hydraulic excavators in the UK, is soon to be formally transferred to the German-based IBEI group of companies. Powell Duffryn, Hymac's owners, is an engineering group whose only construction equipment outlet was Hymac. The decision to sell it to IBEI, which is a rapidly expanding company in construction equipment, seems logical and should present an opportunity for setting Hymac on a growth path.

Production at Hymac has been hampered this year by a strike at its South Wales plant, to be followed by the recent national engineering dispute. The company was loss-making in 1978, and is in urgent need of establishing a more aggressive sales policy. It will be helped in this by the addition of IBEI products to its own distributor network, while Hymac products will also gain access to IBEI's extensive European outlets.

The range of equipment that the multi-nationals are able to offer their dealers is undoubtedly one of their main strengths. Yet arguably the most successful British company in the industry is J. C. Bamford, which has built up its solid reputation largely on one product, the excavator loader. JCB sales exceeded £100m last year, and the 1979 target was set at £120m.

But the growing costs of expanding into international markets, which JCB acknowledges is a necessity for long-term survival, could strain the company's finances when it is also committed to a continuous programme of up-dating its products. Recent entry into the U.S. market has been strengthened by JCB's success in signing up a number of Caterpillar distributors; eventually the company intends to assemble there.

Babcock Construction Equipment (part of the Babcock International group of engineering companies) is an amalgamation of companies which have been built up to become one of the largest British-owned construction equipment groups (turnover in 1978 was nearly £50m). Because of its specialisation in certain

areas, particularly pavers and concrete-making equipment, the company has created an international reputation in some products.

Blaw Knox, for instance, which is now quite independent of the American company of the same name, reckons to have around 12 per cent of the world market for pavers. In the past year, Babcock acquired the Canadian paver manufacturer Allatt. The deal will give Babcock a hold in the North American market, while it will also market Allatt in Europe. Blaw Knox is also building up a range of mechanical sweepers for industrial and municipal use.

Winget, with its concrete-making equipment and dumpers, has turnover of around £25m, while Muir-Hill (loading shovels, industrial and agricultural tractors) and Babcock Kina (high pressure water jetting and blasting) completes the group.

The companies like Babcock, with a fairly broad range of products, are generally better able to cope with recessions than the more narrowly-based. But Babcock, like the rest of the industry, is suffering from competitive pressures and the strength of sterling, and profitability during 1979 is being adversely affected.

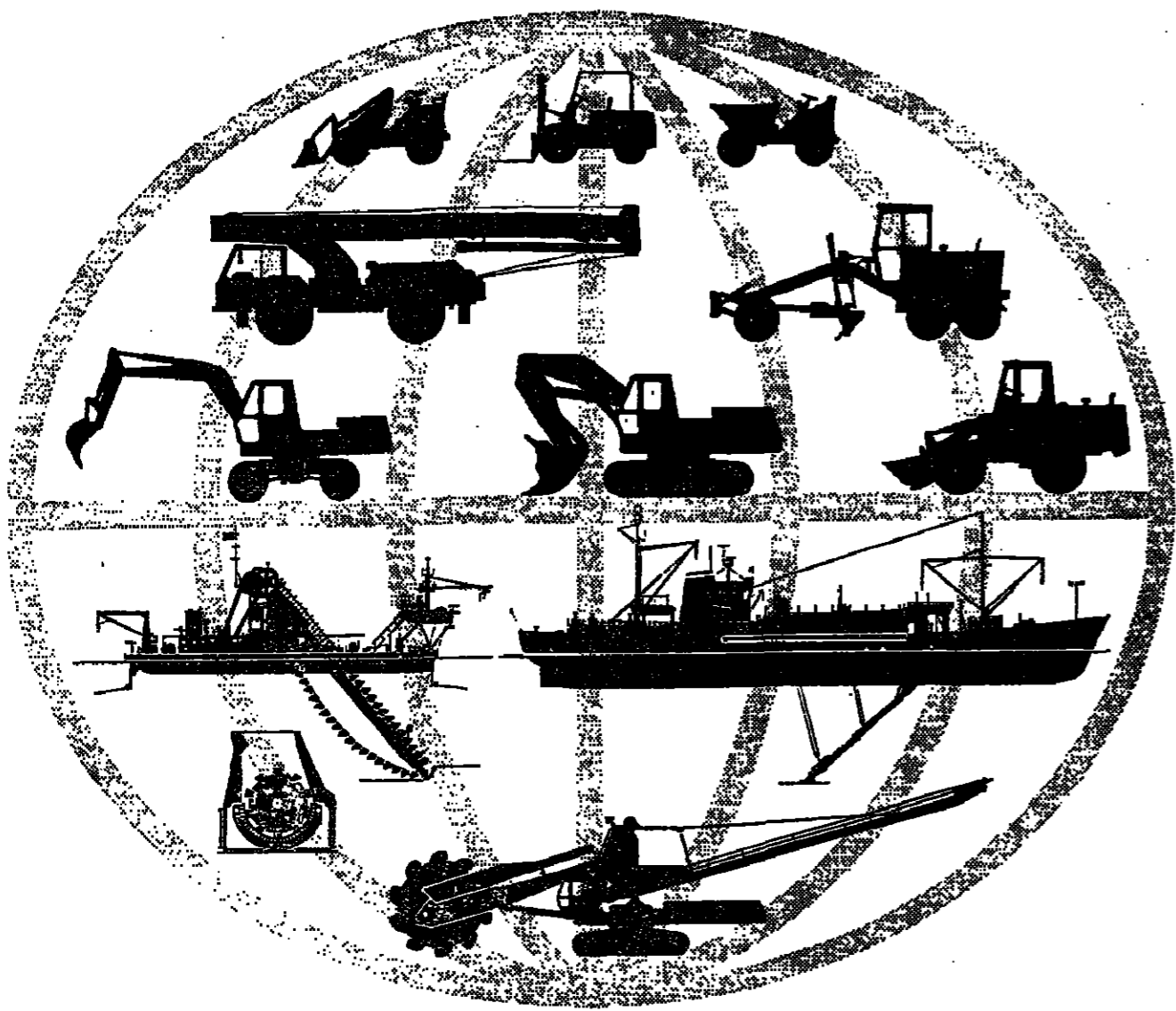
But there are other companies which continue to hold on to the little bit of the market which they have carved out for themselves — companies like Bray (part of Matbro) and Weatherill which has a good reputation for service and engineering and survives even in the face of intense competition from the many manufacturers of loading shovels. Another example is DJB Engineering, which assembles a range of articulated trucks from bought-in components, which are complementary to the Caterpillar range and are actually sold through Caterpillar dealers. DJB exports around 90 per cent of its production.

At the same time as the construction equipment industry spends large amounts of money on developing ever more sophisticated equipment, there is also a growing demand for products which can perform a variety of tasks. The rough terrain truck is an example of a product which can be used for a number of applications — construction sites, farms and almost any materials handling task which has to withstand conditions of difficult terrain.

The French have established a prominent position in this equipment, but UK manufacturers, including Bonser (now part of the Kaye Organisation, which includes Lansing Bagnall) and Winget (Babcock), are also active. Coventry Climax entered the market this year, with a product which was an almost complete re-design of the Conquester Outlander (Conquester is now part of Coventry Climax), and hopes to become a significant UK challenger to Manitou and Sambron of France.

The outlook for the British construction equipment industry is not good. But there are opportunities, however, for the efficient company both in the UK — where repair and maintenance work takes up some of the slack in new building — and overseas. North Africa, the Far East and South America can all offer possibilities for British manufacturers, while Europe continues to present probably the best opportunities.

Hazel Duffy



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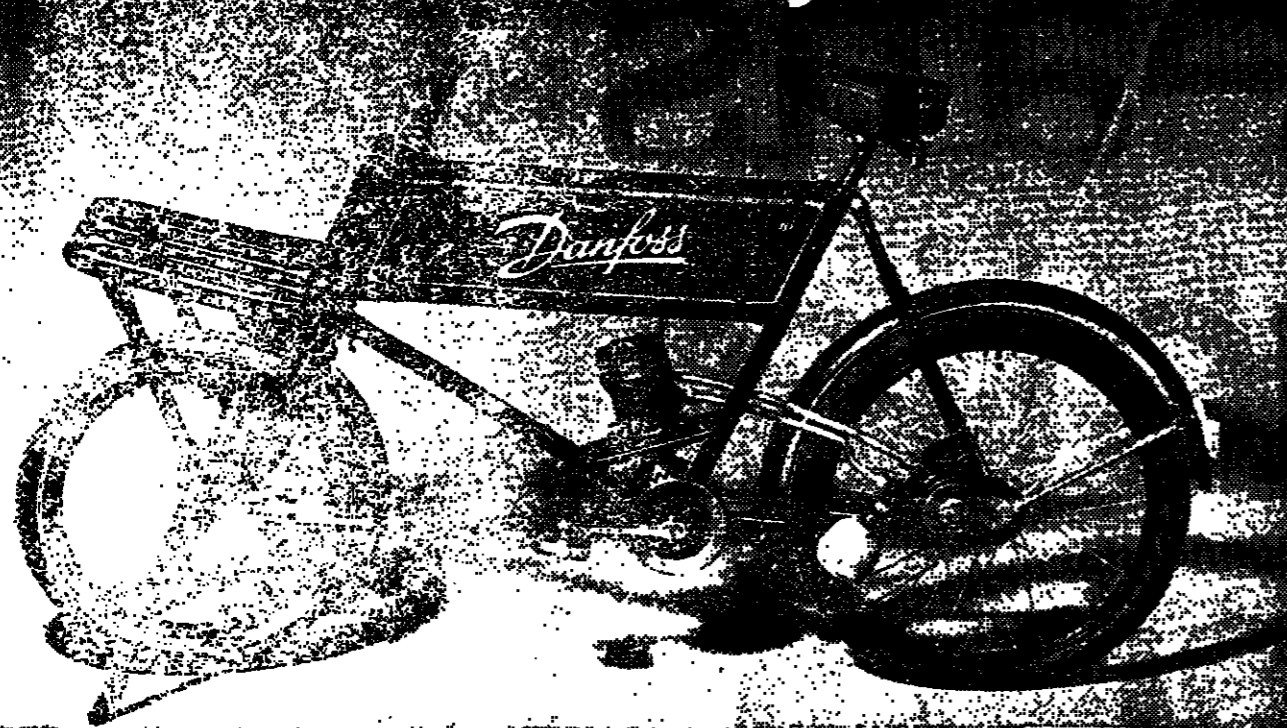
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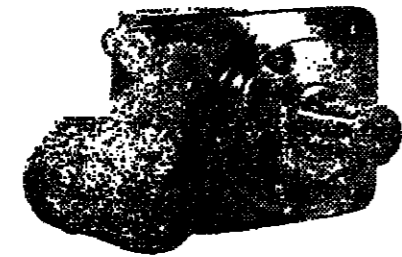
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Hydraulics require little maintenance.

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WORLD CONSTRUCTION, a U.S. trade magazine, carried out a survey earlier this year among contractors outside the U.S., asking them to rank the brands of 64 different construction machinery items in order of preference. The results show that in most categories the leading positions are held by American-owned companies.

Among British manufacturers, J. C. Bamford shows up well in backhoe loaders, Aveling Barford in graders and Colles its telescopic boom cranes. But the only sector where British companies occupy the top three positions is in small tractor dumpers, where Winget (part of Babcock Construction Equipment), Thwaites Engineering and Benford Concrete Machinery fill the three leading positions. Aveling Barford is in 15th place, behind Sambron of France.

These machines, used extensively on building sites, were a British development and despite growing competition from continental companies the UK manufacturers have held their lead. Originally based on an agricultural tractor, the machine was conceived as a replacement for the humble wheelbarrow, but it has been steadily developed into a sophisticated building site tool used extensively throughout the world.

Thwaites is probably the biggest manufacturer in the world of these machines, with an output of about 4,000 units a year. The company claims to be the technical innovator in the industry and its line of machines covers a price range from £2,000 to £15,000, from a two-wheel drive machine of three-quarter tonne capacity to the four-wheel-drive machine of five tonnes capacity.

Exports have run as high as 60 per cent of Thwaites total sales, but with the disappearance of Iran and difficulties in other markets the present figure is closer to 40 per cent. But one of Thwaites' greatest assets is its dominant hold on the German market. It was a classic case of having the right product and the right distributor at the right time. From 1950 onwards, when the reconstruction of the German economy was getting into full swing, Thwaites' German distributor sold some 15,000 dumpers over a 20-year period and put the company in an enviable strong position.

While Thwaites concentrates entirely on dumpers, its UK rivals tend to supplement this product with concrete-mixing machinery and related equipment. Benford, for instance, makes not only dumpers but concrete mixers, batching plant, site forklifts and vibratory rollers. It exports about 50 per cent of its production, with the Middle East as one of the major selling areas.

Winget, too, has a leading position in concrete mixers as

well as in dumpers and exports nearly 50 per cent of its production.

On the Continent there is strong competition in concrete mixers from German companies such as Stetter, Arbau and Elba. In dumpers one of the main contenders is Sambron of France, but in volume terms the Italians are probably closest to the UK. One Italian company which has grown rapidly in this field is Fiori. Based in Modena, Fiori is turning out about 1,000 dumpers a year and about 700 mobile concrete mixers. These latter machines have made a considerable impact in the UK market.

Competition from the Italians and others will certainly continue to be keen, but in this sector of the industry, unlike some others, the leading British manufacturers do not appear to be at a disadvantage because of their relative smallness. It is a specialist field in which the British companies have good products and good international distribution; there seems no reason why they should not continue to take a very substantial share of the world market.

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مكائن التراب

# French manufacturers more hopeful

THE SENSITIVITY of the construction equipment industry to central government policy has been demonstrated with unmistakable clarity in France during the last five years. In this period the French manufacturers have been encouraged to expand by the Plan de Relance of Jacques Chirac in 1975, then subjected to severe restraints by the austerity measures of the present Prime Minister, M. Raymond Barre. As if exposure to roller-coaster economic policy were not enough, they have been inhibited in reducing their labour force during most of this time by the Government's policy of maintaining employment.

There have been signs during the last two or three months that the industry is coming out of this long period of violent change. Orders are slowly picking up again, at a rate which would not lead to overstraining the industry's production capacity. But the five-year boom has nevertheless given a kindly different silhouette to the industry. "This is not a condemned sector," says M. Jean-Pierre Gondran, the head of the national industry association, "but it has had to remodel itself radically in the past few years."

The first serious changes can be felt in 1973, when problems caused by the oil crisis hit an industry which had been running through a boom period. Having theretofore been faced with an economic relaunch programme of late 1975, orders suddenly overflowed, and companies were forced to expand too much for their own good. Just as abruptly in late 1976 the bottom fell out of the market again, and producers plunged into another slump. Orders dropped about 20 per cent in 1977, only because clients had been encouraged to over-order by the aid programme, and were withdrawing from overcapacity.

At the beginning of 1978 the industry's wounds and the Government's aid programme were not directed at the industry, but at the building sector which had been the main beneficiary of the aid programme.

The performance of the industry, however, continues to be marked by variations between sectors. Manufacturers of mechanical handling equipment, for example, have seen little improvement, whereas producers for the public works industry have experienced a steady upturn. Paradoxically, manufacturers of equipment for the troubled French steel industry (also included in the construction equipment sector in France), are going through a buoyant period at the moment, mainly because of the re-equipment programme following the Government-backed rescue projects.

What the industry would now like to see is some consistent continuation of support from the public sector, a policy which, it claims, has provided the main engine for growth in those countries where there has been some improvement. It argues that this sector as a whole is extremely important to France's well-being, with a turnover twice as large as shipbuilding, two-thirds as big as aerospace, and extremely export-orientated—some 60 per cent of its products are sold overseas. In 1978, for example, on a turnover of FFr 8.7bn exports reached FFr 4.8bn while imports were only FFr 2.4bn.

The main outlines of this picture have remained largely unchanged during the first half of this year. The industry remains in strong balance of trade surplus, with exports of FFr 2.8bn and imports of FFr 1.2bn, about the same as last year for the first six-month period. Total turnover went up to FFr 4.3bn against FFr 4.1bn in 1978, while both exports and imports remained at the same level.

But do these figures, combined with the slight improvement discernible in the last two or three months, indicate that the bottom of the trough has been reached? M. Gondran's view is that the industry has been able to rationalise itself in a more logical fashion during the last 18 months or so during the period when the Government has been accepting the necessity to allow companies to shed surplus labour. Productivity, as far as can be measured, appears to be reasonable; the multinationals operating in France seem to think that they are achieving rates of out-

## Pressures

These difficulties have continued into the first half of this year. In the period up to June there were a number of further closures and mergers, reducing the number of companies in the sector by 5 per cent to 244. Compared with the corresponding period last year, the workforce fell by almost the same percentage, to 34,400. This contrasts with a total labour force of 42,000 in 1973. The effect of these pressures on the industry's finances has been unquestionably severe. On a comparable currency basis, turnover fell 4 per cent in the first half of this year compared with last, and is down by 19 per cent compared with 1973.

Since this bill of health was drawn up the situation has shown some improvement. Three main reasons are given for this. First, customers are at last having to replace equipment which is beginning to show signs of age—the average life of these tools is reckoned to be between five and seven years. Secondly, technical advances in the type of equipment used is forcing some companies back into the market in order to remain competitive. Thirdly, the recent Government package of economic measures aimed at stimulating the economy is beginning to take effect. Some of the aid will help the industry as it feeds through to the building sector and the aid programme.

Similarly, it has also bought the Richier distribution organisation, Rentimex, for a symbolic sum. This will be assured of 800 excavator sales over the next three years from a sales deal with Ford.

The other element in the financial package is a medium to long-term loan backed by the French Government for FFr 68m (\$16m), which will be combined with loans from a consortium of banks. It is felt that this will give the company a financial base on which to reorganise without running into cash flow problems over a two to three-year period.

Thirdly, Sambron will be aiming to push some of its own management techniques into NTR. The British company has established a reputation for being tightly run, and clearly feels that it will have more to offer than Ford for operating in France.

Even so, it must be taking a substantial risk in venturing into this new line of business. Richier has a good name in the industry, and a product line which is admired by competitors, even if some claim that it needs reorganising. But the company, bought by Ford in 1972, has clearly lost a lot of ground.

A great deal will therefore depend on skill of the Sambron management team. M. Maurice Sambron, in his early 50s, has now retired from day-to-day running of the company. But he keeps a watchful eye on activities, and is said to have made the decision to take on Richier. Presumably he will continue to keep a benevolent eye on developments.

At the same time Sambron appears to have the financial strength to face up to a reorganisation job. Mainly privately owned—M. Sambron and his family interests have 70 per cent, M. Fourniotakis 10 per cent and sundry banks the rest—the company had a turnover last year of FFr 107m, some 18 per cent up on 1977. It will not reveal profits, but they are believed to be in the region of 10 per cent of turnover. To have come through the crisis in the industry this successfully argues that the company has a fighting chance of turning Richier round.

Terry Dodsworth

put roughly comparable with elsewhere.

The big problem, he says, is that the blocking of prices up to the time a year or so ago when the Barre Government began to abandon controls has had a serious effect on company finances. Many are not now in a position easily to finance the necessary investment. At the same time they have been forced to reduce their technical capacity: design departments have been run down in many companies to such an extent that they could probably not cope with more than a gentle expansion.

But the French industry has nevertheless struggled through the reconstruction of some of its main sectors of interest. The crisis at Poclain the hydraulic excavator company, now seems to have been largely overcome, following acquisition of a 40 per cent stake by the Case-Teneco group. The Case worldwide sales network has helped to pull the French company back into profit.

Similarly, both Liebherr and IBE of West Germany have bought companies in France with the idea of investing in French expertise in the same sector—hydraulic excavators, where France has established a clear lead in Western Europe. In addition, this sector is going through a further change with the acquisition of Richier's hydraulic excavator interests by Sambron.

France's other strong sectors are in rough-terrain fork-wheel trucks, where it has two major companies, Sambron and Manitou; asphalt applying machines through the Ermont subsidiary of Creusot-Loire; and cranes, where Potain is reckoned to be the world leader in the tower crane sector.

These larger companies have established markets all over the world, with some 40 per cent of their sales going to Western Europe, where Germany is the biggest customer, and most of the rest to North Africa and the Middle East. Clearly, the strength of these foreign markets will play a big part in the ability of the industry to continue its climb back into reasonable health. But even more significant would be signs of a positive long-term reinvestment programme in France.

Up to now Sambron has grown organically. The com-

pany came into being in the 1920s, when a Breton farmer began making plough shares and mobile cider presses. After the war, the dumper line was added and caught the market at the time of France's reconstruction programme.

Later it developed into the field of rough-terrain fork-lift trucks—lifting devices for use on building sites—which have become its most successful products. These have cornered a profitable niche in the world market, turning this St. Nazaire-based company into an international business, earning 57 per cent of its turnover overseas.

Challenge

The challenge facing Sambron will be to transform itself from a small tightly knit organisation with a narrow product base into a much larger group operating in four factories and selling a much wider range of equipment.

On the face of it Sambron is taking on the most problematical area of the Richier business. Ford itself has clung on to the loader and tractor

back-hoes product lines for which it claims to have profitable international sales. So Sambron will be having to turn round a part of the company which has been mainly responsible for running up losses of some FFr 150m since 1975.

How is it aiming to tackle the reorganisation? First, Sambron has clearly decided on the prudent policy of keeping the two businesses separate so that its original unit continues as before. The Richier interests are being grouped in a new company, Nouvelle Industrielle Richier (NIR), which will have its own distribution organisation and design offices. The link with Sambron will come through M. Strati Fourniotakis, managing director of the original company who is combining this job with a similar position at Richier.

Secondly, Sambron has won itself a certain period of grace by a favourable financial deal which has allowed it to take over the Richier bits and pieces at a fairly minimal cost. It is not inheriting liabilities, and it has bought the assets, estimated to be worth FFr 72m (\$17m), for a nominal FFr 100.

Terry Dodsworth

THE FORD/SAMBRON AGREEMENT			
Manufactured by		Marketed by	
<b>FORD</b>	180° excavators, excavator/loaders articulated wheel loaders	<b>SAMBRON</b>	road rollers concrete mixers crushers 360° hydraulic excavators
<b>FORD</b>	360° hydraulic excavator 180° excavator excavator/loader articulated wheel loaders outside France	<b>SAMBRON</b>	road roller concrete mixer crushers 360° hydraulic excavator 180° excavator excavator/loader articulated wheel loader inside France

Plants which have gone to Sambron: Sedan Lyon—basically component manufacturing—L'Horme, Villeurbanne, and Grenoble. The Charleville plant, making wheel loaders, 360° hydraulic excavators and certain backhoe and loader components, becomes part of Ford of France.

## Big move to widen product range

### COMPANY PROFILE: SAMBRON

IT WAS the day when Maurice Sambron first saw a motorised wheelbarrow that set his small Brittany-based company on the road to international status. He was at that time spending a year's training at David Brown in the UK. He took the idea of the wheelbarrow—the industry's early dumpers—back to France, made a few, and has never stopped since.

Sambron is now in the process of taking an equally important step in its long-term development. Its takeover of about half of the Ford-owned Richier company is going to plunge it into a completely new area of business—hydraulic excavators, concrete mixers, and rollers—and, at a stroke, expand its total group workforce from 560 men to 1,660.

Up to now Sambron has grown organically. The com-

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Terry Dodsworth

# Sharing the name means sharing a lot of other things too.

Typically American, to call everybody by his first name. You never really know whom you are dealing with. That's why we thought it's time to tell everybody that POCLAIN, CALSA, DAVID BROWN, LOSENHAUSEN, DAVIS and DROTT are members of the JI CASE family.

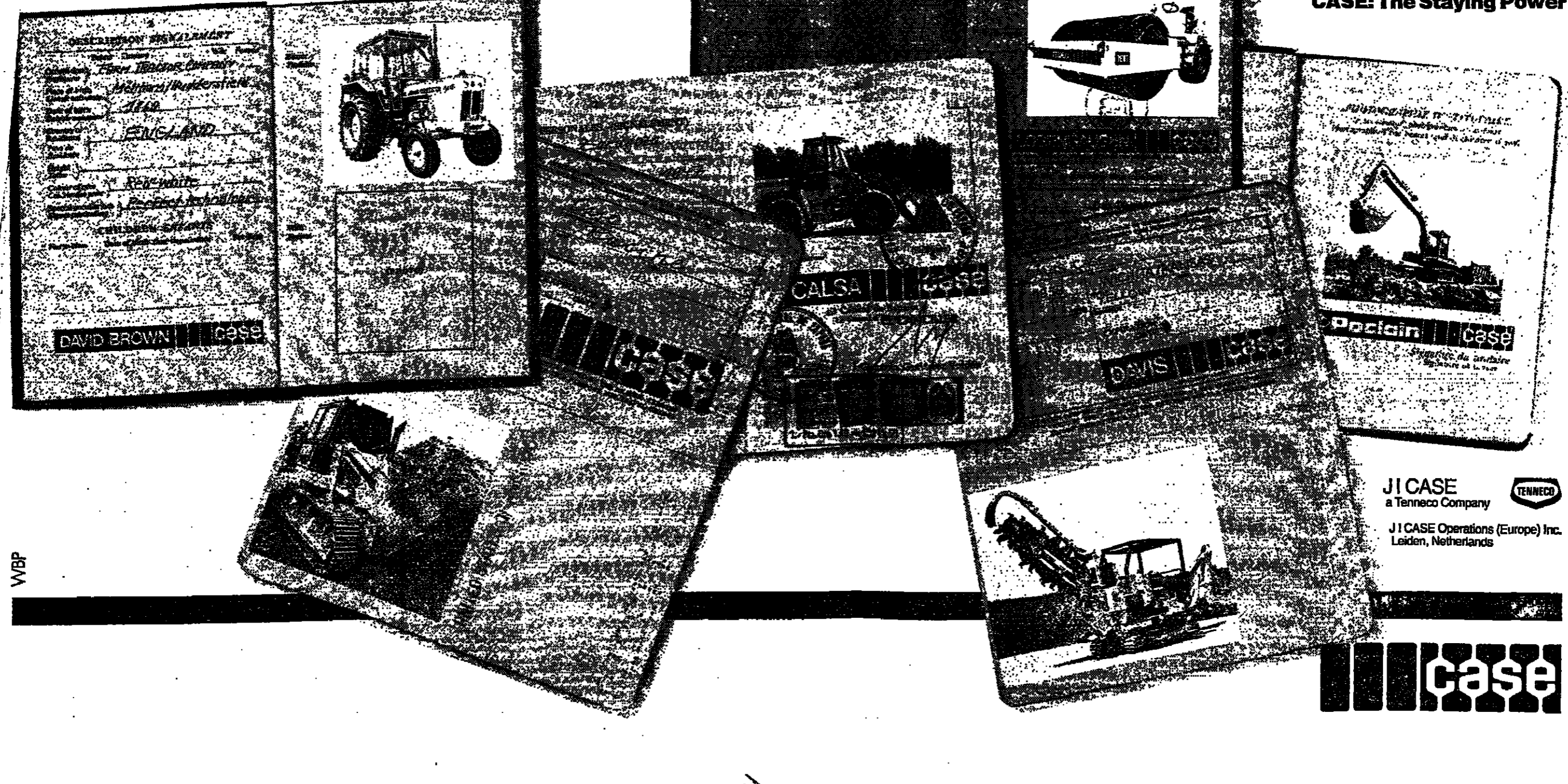
The fact that we are all one big family is an advantage to you. It means that you can choose from one of the world's largest and most complete ranges of construction equipment including: crawler loaders, dozers, wheel loaders, backhoe loaders, excavators, cranes, trenchers, compaction equipment and even a large range of farm tractors. Whether digging a small trench or moving a mountain of coal... the CASE family can do it all.

We also have a complete first class sales network and reliable after-sales service.

CASE's parents are typically American with a turnover of more than 2 billion \$. But CASE is also typically French, Spanish, German and British. Because we also manufacture in Europe. Our European sales have grown from 82 million \$ in '75 to over 400 million \$ in 1979, which means that we are a strong family and here to stay.

So when you need your next piece of equipment, remember our family.

CASE: The Staying Power



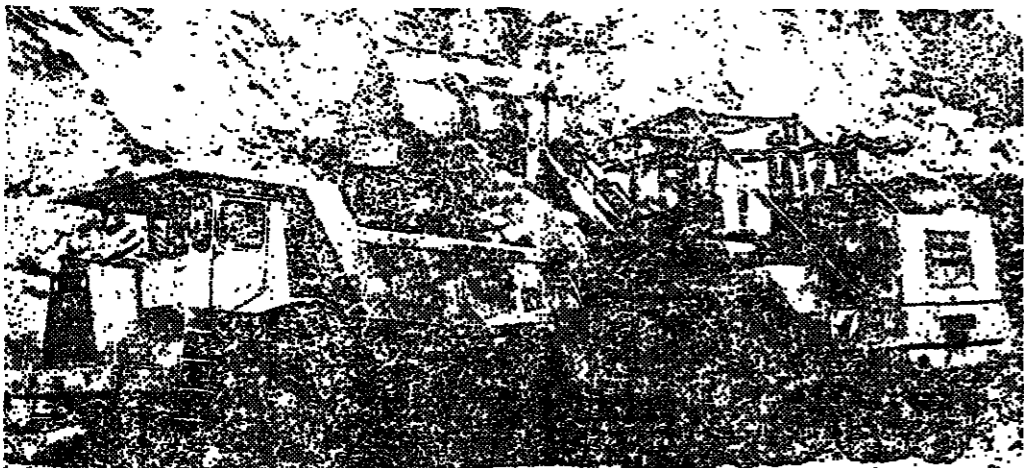
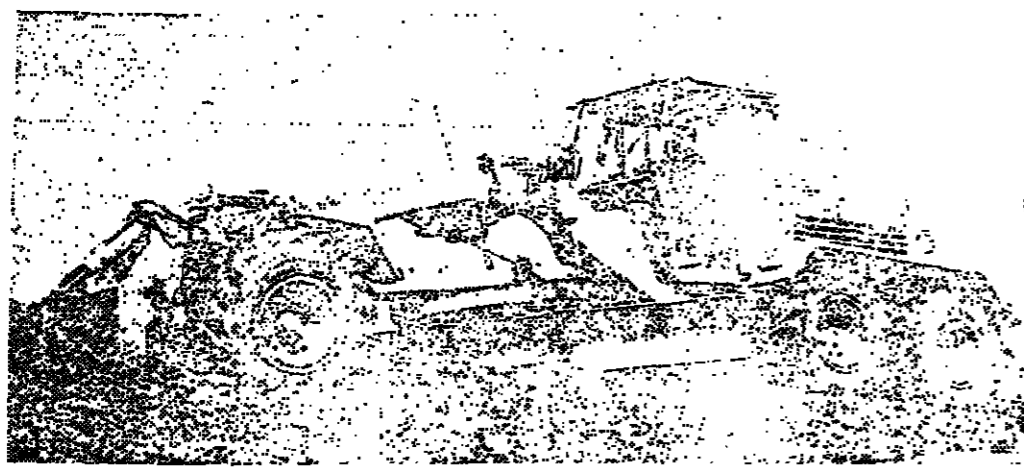
JI CASE  
a Tenneco Company

JI CASE Operations (Europe) Inc.  
Leliden, Netherlands



## EUROPEAN CONSTRUCTION EQUIPMENT VI

## Germany's OPEC customers



Two products of Germany's Faun Frisch group. Above: F185C grader  
Below: K40.4 dump truck

THE GERMAN construction equipment industry is going through a process of structural change — the latest development is the proposed sale of Hanomag to IBH — just as domestic demand has reached the crest of a wave. The Economics Ministry in Bonn has revised upwards its estimate of real GNP growth this year, from 4 per cent to 4.5 per cent. While everyone expects a slower pace in 1980, official forecasts hover around 3 per cent, which is hardly a recession.

The impact in construction plant is evident from statistics compiled by the technical committee on construction and construction materials machinery of the Association of German Machinery Manufacturers (VDMA). According to these, production of construction machinery in the first half of this year was up 13.6 per cent in real terms, compared with the corresponding period a year ago and following a 6.6 per cent advance in 1978.

That the gain was due almost exclusively to domestic demand is clear from export figures. Industry exports in the first

four months of this year were off 1 per cent, following a decline of 14 per cent in 1978. Imports meanwhile were up 13.6 per cent in real terms in the January-April period, following a 6.5 per cent surge last year — supplying further evidence of the strong domestic demand.

The industry's association believes that the sharp rise in property prices, the expiration of medium-term government spending programmes, and the oil price increases are bound to bring a decline in domestic demand. This decrease, it is thought, will probably be felt in the second half of this year. Thus, despite the strong first-half showing, the industry expects production for the whole of 1979 to grow by 5 per cent.

The other factor, of course, is exports. The technical committee conceded in its September report that exports are about to stage a recovery. The export ratio slipped to just under 65 per cent last year following the 1976-77 peak of 72.5 per cent.

The wild card is OPEC business. The German capital goods

industry as a whole found itself a happy beneficiary of petrodollar recycling following the 1973 oil shock. The benefit of this year's escalation is bound to be smaller — the increases in oil prices themselves are smaller in real terms, many of the big Middle East projects have been completed and the OPEC countries themselves are planning on a longer-range, more rational basis. But the German industry is already looking in the closing months of this year for a new export impulse from the oil exporters.

The key question is how far the strength of the Deutsche Mark will affect the competitiveness of German manufacturers. Like its counterpart in the U.S., the German industry has strength in depth, as the accompanying table indicates, and it has the further advantage of substantial investments by American companies. But some of these foreign investors have been finding the going difficult in the past year or so: the attractiveness of Germany as a base for supplying world markets seems to have diminished.

Darrell Delamaide

## SOME MAJOR GERMAN COMPANIES

Liebherr—Cranes, hydraulic excavators, crawler dozers, etc.  
Orenstein and Koppel—Hydraulic excavators, cranes, straddlers, etc.  
Demag—Cranes, excavators, compaction equipment, compressors.  
Weyhausen—Hydraulic excavators, loaders, etc.  
Faun-Frisch—Dump trucks, crane carriers, wheel loaders, gridders, hydraulic excavators.  
IBH—Wheeled loaders, compaction equipment, compressors, excavators.  
Gottwald—Cranes.  
Kaelble—Dump trucks, loaders, compactors.  
Vogele—Concrete and asphalt pavers.  
ABG—Compaction equipment, concrete and asphalt pavers.

## SOME U.S. INVESTMENTS IN GERMANY

Deere—Mannheim (crawler loaders and dozers).  
International Harvester—Heidelberg (crawler loaders).  
Tenneco-Case—Düsseldorf (compaction equipment).  
Koehring—Boppard/Rhein (Demag compaction equipment).  
Harnischfeger—Dortmund (cranes).

## Group's long pedigree

## COMPANY PROFILE:

## O and K

EVEN IN an industry accustomed to thinking big, the arrival of a machine with a claim to be the largest and most powerful of its kind in the world is bound to cause more than a ripple of interest.

So it was a few days ago when Orenstein and Koppel (O and K), the West German engineering and shipbuilding group, unveiled the latest addition to its range of equipment for the construction and mining sectors; a giant hydraulic shovel whose impressive vital statistics include a service weight of 430 tonnes, engine output of 1,750kW (2,352 hp) and shovel capacity of up to 30 cubic metres.

The machine, the RH 300, is designed to meet the growing demand for raw materials mined from greater depths than have previously been considered profitable to exploit. Its debut also signals a bid by O and K to break the dominance of the largely U.S.-made electric mining shovels.

The first RH 300 will go to a UK customer, NSM of Sheffield, and will be put to work in a few weeks at an open-cast mine in Derbyshire. The RH 300's pedigree stretches back more than a century to 1876 when Benno Orenstein and Arthur Koppel founded a company in Berlin to devise faster and cheaper methods of moving rocks and earth from mines and construction sites.

The company had to start again almost from scratch from the ruins of World War II but, aided by some judicious acquisitions, it has since expanded steadily into a leading force in its field. It now has a share capital of DM 72m, with half the shares being held by Estel, the Dutch-German steel concern, and 25 per cent by a consortium of banks. By 1978 sales had reached some DM 1.3bn and in recent years exports have accounted on average for about half its business.

## Blamed

It suffered a setback last year when exports as a proportion of total turnover fell dramatically to 43 per cent from 62 per cent in 1977, which the group blamed on the poor investment climate in the West, the strength of the Deutsche Mark against the dollar, protectionism in some importing countries and high domestic labour costs. This year, however, it confidently expects to meet the 50 per cent target which the supervisory board has set the management board.

O & K now has six manufacturing centres in Germany, two in the UK and one in Canada and a world-wide labour force of some 11,000. In Germany its output is marketed through 26 branches and in the rest of Europe and overseas by 13 subsidiaries and more than 200 distributors serving customers in all five continents.

In 1973 the group set up in the UK its first manufacturing base outside Germany for many years with a factory in Keighley, Yorkshire, making excavators and autowalks for airports, stations and shops. More recently it acquired United Lifts, also at Keighley, where it makes passenger and goods lifts. The success of the group's attack on the American excavator market is being made from its Canadian factory at Dundas, near Ontario, which it acquired five years ago. It only re-entered this market seriously in 1976 with a decision to operate through large, well-established distributors in each State rather than attempt the costly and risky business of

setting up its own sales service organisation. So far has a presence in 18 states chosen carefully for their importance as prime producing regions.

O and K now claims to be one of the broadest ranges of construction equipment available, attributing its position as a market leader, in the words of Prof. Holmst. Euster, chairman, largely to its successful attempt to meet requirements of the construction and mining industries better cost-effectiveness continuously upgrading products.

It claims No. 2 position behind Pöclain of France in the important world hydraulic excavator market, a speciality of European manufacturers who produced 20,000 last year compared with 5,000 in the U.S. O and K had a 12 per cent share last year and this is said to have increased in the first half of 1979. Its share of the ropeway market is about 15 per cent and so far this year it has increased its exports to these countries by nearly 30 per cent over the same period last year.

The company's construction machinery range, which contributes something over half to its total turnover, also includes wheel loaders, graders and dumpers. In the first nine months of this year it has boosted sales in this sector by almost 20 per cent over the same period last year, a pointer, it believes, to an above-average market are among the European manufacturers.

In the wheel loader sector, dominated by Caterpillar & Co, K has ambitions to play an increasing role in Europe and expects soon to be able to capture a market share of more than 10 per cent. In the first half of this year exports have more than doubled — from an admittedly low base — over the first half of 1978.

European manufacturers generally expect further increases in sales of construction machinery in the second half of this year, according to Heinz-Günter Kohlen, O & K Board member responsible for marketing, who until recently was president of the European Construction Equipment Committee. Speaking at the company's headquarters at Düsseldorf he said: "Apart from the traditional market in Europe, exports into OPEC countries are on the upswing again, more funds are available in these countries. However, it is doubtful whether the high level of the 1975-76 period will ever be reached again." He added that the company foresees a similar trend for export sales of its own earth-moving equipment.

Michael Hand

# Fiat-Allis challenges big competitors to keep customers happy.



On site service for the Fiat-Allis 31 dozer.

Every machine we build at Fiat-Allis has the backing of complete after-sales service. We call this "total support".

It goes beyond the basics of good service: diagnosis, repair and maintenance. We think that the customer has a right to spare parts, identical with the original, immediately in any part of the world. So we have built some of the most advanced and best-equipped parts-distribution centres in the business. Such as at Carol Stream, Illinois, and Singapore.

Our newest centre at Volvera, Italy, covers over 125,000 m<sup>2</sup>; some 60,000 stock items are moved daily.

And they move fast, because of our universal-language computer system linked to all the strategically-located parts depots around the world. Orders can be shipped out in record time. Anywhere.

### The Fiat Group: A 15 billion dollar a year company.

More than a few Fiat-Allis service advantages come from being part of the Fiat Group. From being part of an international family that



A Fiat truck on a routine trans-Alpine run.

has a net sales income of over 15 billion dollars, has 200 production plants and employs 330 thousand people.

The Fiat Group has proven its service capabilities in fields as far apart as cars and energy production, aircraft and farm tractors, trucks and marine engines, railway rolling stock and machine tools.

And there's a lot of Fiat in Fiat-Allis.

We are not the biggest in the business, and we have a great deal of respect for our competitors and for the machines they build.

But we think that ours are hard to beat. You're the judge.

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EUROPEAN CONSTRUCTION EQUIPMENT VII

American groups meet with setbacks

NORTH AMERICAN companies occupy an important slot in the European construction equipment market...

factories in the UK.) The sale comes more than a year after Massey Ferguson put it on the market...

that could be done to its reputation among distributors of trucks and tractors if it gave up construction equipment...

described as "differences in management philosophy" but it is not yet clear whether this will lead any changes in the European operation...

equipment group, has unashamedly taken Caterpillar as its example in its bid to become a world force in construction equipment...

likely to achieve its target position worldwide before too long. Most of the multi-nationals manufacture volume products in Europe...

future very much with the loader and tractor shovel. Other American companies also tend to specialise in Europe...

ducts are good but not outstanding. Its marketing and distribution network, however, leaves no one in doubt about its excellence.

Unique

The difficulties that these two companies have faced serve to highlight some of the basic weaknesses that the multi-nationals have displayed in Europe...

Ford meanwhile has reached a solution which appears to be unique in the history of North American companies in Europe. It will stay in construction equipment...

In the U.S. Case is market leader with its backhoe loaders, and is pushing hard with the product in Europe, which it makes in France...

It is in no doubt that it must compete across the whole range of machines. Its strengths are in the loaders and off-highway trucks...

Europe has not proved very successful for Deere so far. Construction equipment sales in Europe are not profitable. A more aggressive marketing approach has been adopted in Europe...

Clark is best known in Europe for its wheeled loaders, which are made at its Strasbourg factory, along with dozers. The top of this range, however, comes from the U.S. as do scrapers and graders...

The past year has shown, however, that size is not necessarily the answer to the difficult conditions prevailing in Europe. For Ford and Massey-Ferguson, Europe has proved an expensive venture in construction equipment...

returns in Europe. Their commitments, however, are such that they will almost certainly carry on. In the longer term, moreover, they are likely to find that their perseverance will be rewarded.

The Ford agreement emphasises that a multi-national cannot easily just pull out of commitments in the case of Massey Ferguson there was probably little choice...

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SHARES OF WORLD EXPORTS

Table with columns for Year (1970-1978) and countries (U.S., West Germany, Britain, France, Japan, Italy, Belgium/Luxembourg, Canada, Sweden, Austria) showing percentages of exports.

Source: UN Yearbook of International Trade Statistics.

A new challenger

COMPANY PROFILE: IBH

FIRST DIETER ESCH has emerged as one of the brightest stars in European construction equipment. At 36, he has managed to build up a group of companies in only five years...

Within the next few years, he had bought a clutch of companies in Germany and France. The most important was Zettelmeyer, which makes a range of wheeled loaders...

distribution network is good, then he is on to something. Distribution and market share are all-important. Esch negotiated to take over Hymac in the UK, for example, because it fitted the bill on both considerations...

have been cut back to around \$10m. The acquisition of Hanomag almost doubles IBH's turnover, but can Esch succeed in making it profitable? He believes MF was well on the road to turning it round and he just needs to follow this through...

This group of companies did not give him anything like the range of essential equipment which he needed to become a serious rival to the established national and multi-national companies...

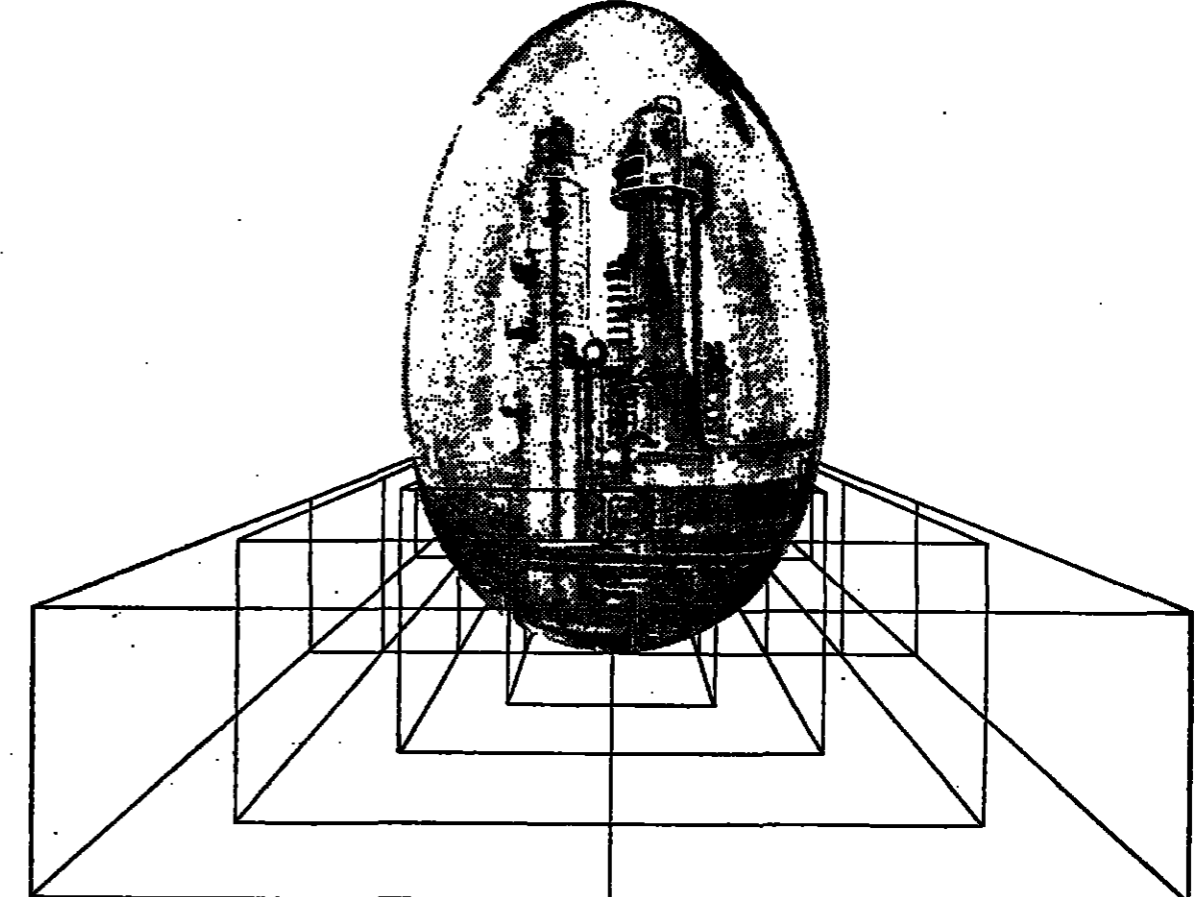
Injection Esch will have paid £5m for Hymac when he takes it over on January 1. A separate deal also gave IBH a useful injection of cash when Powell Duffryn, the owners of Hymac, took a 24.9 per cent stake in IBH for £6m...

The next couple of years will provide the biggest test for the Esch experiment. In time, he says, IBH will have to go into the U.S. market if it is to become the fully fledged international group which is his ambition...

Esch's philosophy is simple. The companies retain their independence under IBH as a holding company. He aims to increase volume production and cut down on overheads. The pattern in his takeovers is to reduce the proportion of white-collar workers to production workers...

When Esch decides he wants to buy a company, he likes to take a good look at it before he signs over the money. He does this, he says, so that he can make a full assessment of the books from the inside. But he certainly moves fast. Before he has even formally taken over Hymac, he has announced that he is negotiating to buy Hanomag from Massey Ferguson...

Hanomag was bought by Massey Ferguson in 1974. Last year it led to a provision of \$40m being made in MF's accounts. This year, the losses



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Contracts we undertake vary in extent from an individual service - e.g. the process design for a single-unit plant - to an integrated service ranging from the initial studies for a petrochemical complex to its start-up and including also assistance and consulting services to management for the production and commercial activities...



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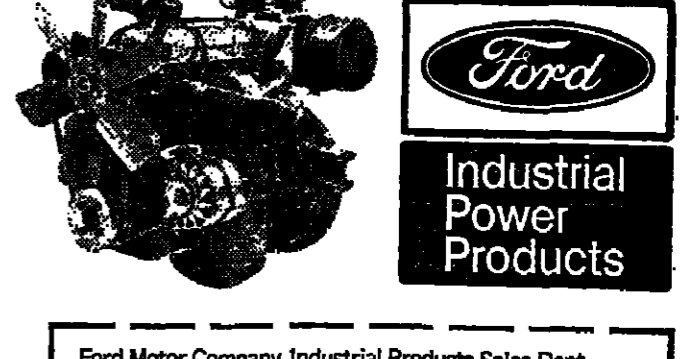


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If you're in the market for power in the range 30-60HP you should hear what Ford's 2270 range of multi-fuel, spark ignition 4 cylinder industrial engines have to offer. They cost much less than the equivalent power diesel engine, and so do their ancillaries...

As an industrial engine it has the range of options you would expect - axial P.T.O.s, flywheel housing, high level fan, speed governor, universal exhaust outlet, to mention just a few. Overall engine package is extremely compact and to make sure your installation is both quick and effective we have a team of professional installation engineers on hand...



Form with fields for Name, Address, and checkboxes for requesting details or a representative call.

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## EUROPEAN CONSTRUCTION EQUIPMENT VIII

# Dealership relations

THE RELATIONSHIP between a construction equipment manufacturer and a distributor is very close and usually long-lasting. While this is to an extent true of the passenger car market, the industrial and building plant sector generally demands a higher level of mutual co-existence because the dealer is usually selling to far fewer customers and in several cases acts as the producer's sole representative in one country.

As one manufacturer puts it: "Very often when our representative and our distributor go to see a prospective client, he does not know which is which, we are that close."

But while these ties are often tightly drawn, financial assistance to the distributor is somewhat exceptional. The manufacturer will sometimes extend credit but in the main it is looking for a sales organisation capable of standing on its own feet and willing and able to partake in expansionary drives.

Although the volume car producers delineate their dealerships in miles, construction equipment franchises are often broken up only by frontiers. Caterpillar, for example, uses only one distributor for the whole of France and another for West Germany.

In the UK, however, the group has four dealerships; Leverton of Windsor, the Unilever offshoot which covers Eastern and Northern England; Bowmaker Plant of Cannock, spread over the West and South-West; Caledonian Tractor and Equipment of Glasgow and McCormick MacNaughton which distributes through Ireland and Northern Ireland. The manufacturer has 300 dealerships throughout the world which operate 900 outlets altogether and in each case the principal is looking for continuity.

It is probably no more than coincidence at this stage that Bowmaker, through C. F. Bowring and Caledonia, through Lloyds and Scottish, are owned by major financial groups but as Caterpillar stresses, plant dealerships are a multi-million pound business. Some individual items of equipment, as the group points out, can cost around £500,000.

The U.S. market has been dominated by individual or family concerns but as the capital cost of equipment rises, more and more North American enterprises have been seeking

equity injections. In this country, Caterpillar observes, there has been little change of ownership and the producer rarely seeks to appoint a new distributor.

Occasionally, however, a dealer will be acquired by a group with other construction equipment production interests and in such cases Caterpillar will look for a new dealer. In these circumstances a newcomer will buy out the traditional dealer and the vendor will often find that this is more rewarding than an open market sale.

With Caterpillar and other multinationals, International Harvester accounts for around 50 per cent of UK construction equipment output and its dealership network in this country is broadly similar. Harvester uses three British distributors—Saville, Cripps and Bowen to give a national spread, although there are other smaller outlets for industrial tractors and the like.

But the big producers are truly multi-national. The marketing area with which International Harvester covers the UK also extends from Iceland to Pakistan and its approach varies from one country to another.

In France, for example, Harvester has been using a network of several agencies while it operates the larger accounts through its own direct sales organisation. In American parlance, the small independent distributors are used as "bird dogs" and point Harvester in the direction of the larger deals.

In West Germany, by contrast, Harvester has just one dealer. This is partly historical, for the manufacturing base in the Federal Republic is more concentrated than anywhere else in Europe or the Middle East.

In the UK, France and West Germany the network is run by affiliate companies and Harvester's share of the local market is generally higher than in other countries. But the group is now about to approach its independent dealers with a fresh marketing drive.

### Unwilling

The group is unwilling to supply full details of this initiative in principle it is ready to support it: the hit those dealerships ready to commit funds, time and facilities to Harvester's product range and, conversely, will drop others which cannot attract the appropriate level of local finance and supply the desired level of commitment to the new marketing objectives.

In France, too, the group has realised that the concentration of construction capacity is growing and it is likely that the dealership network there will react accordingly. The spread of 40 distributorships through Europe and the Middle East seems set to contract—although to an extent the British market has already undergone this change.

If the financial relationship between principal and agent is mostly very limited, technical rapport is actively encouraged.

Caterpillar, for instance, employs 14 experts in Sioux and give advice on parts and servicing to the UK distributorships.

Hewden-Stuart, on the other side of the fence, works closely with manufacturers and is nearly always consulted when a new product is about to be launched by one of its suppliers. "Sometimes," says Hewden managing director Mr. Matthew Goodwin, "we know more about the product in the field than the manufacturer."

The Scottish distributor is perhaps best known as a plant hire group but it operates a thriving marketing division which has recently been wholly divorced from the hire operation.

JCB is Hewden's oldest and largest dealership with sole franchise for Scotland centred on Glasgow and for the North West of England from the base in Manchester, giving the dealer around 40 per cent of JCB's UK sales.

Other important licences take in Consolidated Pneumatic Tools and Magirus-Deutz trucks. Bomag in London and Duomat in Scotland.

The dealer will in certain instances receive credit from a manufacturer and will often make payment after delivery. There are few if any volume discounts for performance given by the big suppliers, although incentives are sometimes given on smaller ranges. In return Hewden carries a stock level above the manufacturer's minimum requirements. Mr. Goodwin

emphasises the need for complete trust on both sides.

"There is a lot of give and take"—but acknowledges that there must be reasonable level of co-operation with other dealerships since there is limited customer base.

Manufacturers generally have no set rules as to the optimum size of an agent but on the other hand Hewden has fairly well defined ideas about which manufacturers it is willing to take on.

Given the reputation a dealer must build and maintain among other manufacturers and the high level of inventories it usually carries, Hewden looks for the volume sales that a market leader can achieve but realises that the potential areas of product conflict impose fairly stringent limits to expansion.

Hewden would normally look for an exclusive franchise in Scotland or in any other major population belt but the constraints are far tighter than in the motor trade. The links which Hewden and other major dealers have established with the prominent manufacturers are well established, but while it will take more than a recession and an attack from import competition to break them it would be surprising if the specialist nature of the industry permitted sudden substantial changes in the formalised dealership structure. Like the manufacturer, themselves the strong will probably become stronger.

Ray Maughan

## Sweden's contenders

### COMPANY PROFILES

#### VOLVO and DYNAPAC

VOLVO BM, part of the Volvo group, and Dynapac, a subsidiary of Euroc, are two of Sweden's leading construction equipment manufacturers, but operating in very different sectors of the market and, in recent years, with very different financial results. Volvo BM's main strength is in wheeled loaders, where it has a major share of the European market, and in articulated dump trucks, where again it is one of Europe's largest producers. The range, which includes road graders and excavators, is limited and it is a part of the market where Volvo is up against strong competition from Caterpillar and the other leading North American companies. These companies compete effectively in Volvo's product range, yet have a much broader range of construction machinery to offer dealers.

Dynapac, by contrast, has specialised in a sector of the market which is less vulnerable to competition from the broad-line North American companies. This is the manufacture of vibratory compaction equipment, used in a variety of applications from large airfield projects and dam construction to road building and street repairs. There are, of course, plenty of competitors in this business and two of the strongest are American-owned—Bomag, which, though based in Germany, is owned by Koehring, and Ingersoll-Rand. But the market for compaction equipment has remained largely the preserve of the specialist (Stofbert and Pitt is one of the leading British companies) and it has not attracted the attention of the giants.

### Streamline

It might be said that Volvo is poised uneasily between the specialist and the broad-line manufacturer. Although its products are well accepted, it faces difficult marketing and distribution problems. In the past year, after reporting operating losses in 1977 and 1978, the management has taken steps to streamline the business. In order to concentrate resources on construction machinery Volvo reached an agreement with the Finnish company, Valmet, to pool the two companies' tractor and farm machinery interests. At the same time Volvo has sought to rationalise its forestry machinery activities with other Swedish manufacturers. These two lines accounted for 30 per cent of Volvo BM's sales in 1978.

The company is also investing heavily in new product development. Improved versions of the wheel loader and dump truck have recently been introduced. But there remains a question-mark over the marketing arrangements. In certain European territories Volvo has co-operated with Poclair, the French hydraulic excavator maker, but this company is now effectively controlled by J. I. Case. The U.S. company, some of whose products compete directly with those of Volvo. In West Germany and Austria the agreement with Poclair continues until 1982 and no decisions have yet been taken

about whether they will continue. Some form of association with another company may be necessary if Volvo BM is to compete effectively against its broad-line rivals.

Dynapac has set out to be an international leader in the field of vibratory compactors. Although the product range has recently been extended to include asphalt equipment, it remains essentially a specialist. By keeping ahead of the game in product quality and performance, and by seeking a very wide range of markets, in the developed as well as the developing countries, it has achieved a steady growth in sales; 95 per cent of its business is done outside Sweden. It has manufacturing facilities in the U.S. and Brazil as well as in Sweden. Dynapac is not of course, immune to market fluctuations; Iran used to be one of its biggest outlets and the loss of this business is bound to affect results for 1979. But the wide geographical spread helps to insure against such unexpected disasters.

The small independent specialist does have some important marketing advantages compared to the big, broad-line supplier. His sales and service representatives are experts in their narrow field; they do not have to spread their knowledge and attention over a large number of products. The manufacturer himself can concentrate on being outstandingly good at one thing. Because the company is small, its senior managers can have close personal relationships with their dealers; negotiating with a large corporate bureaucracy is not so congenial. They can usually react more quickly to changes in customer requirements. They depend on the dealers, but because he handles a variety of other companies' products, they do not dominate him.

Because the machinery needed on a building site or in a big civil engineering project is so diverse, there will always be room for the small manufacturer, producing equipment which is too specialised or too small in volume to interest the giants. For a good many European companies, of which Dynapac is an example, specialisation is the one of the keys to success in world markets.

SALES AND PROFITS IN 1979

	(\$Krn)	Volvo BM	Dynapac
Sales		1,771	604
Operating income		-109 (loss)	73
No. of employees		4,837	2,117
			G.O.

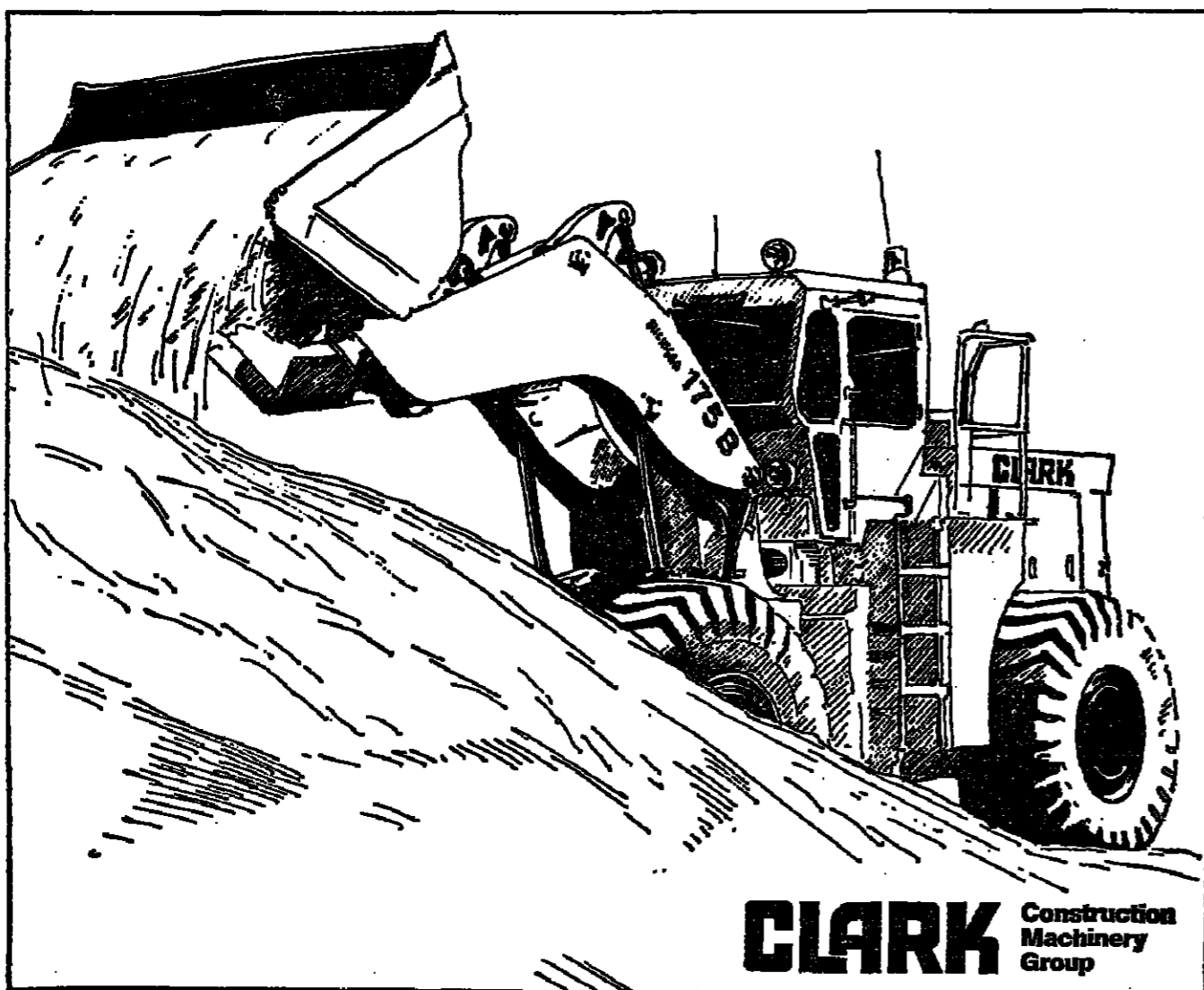
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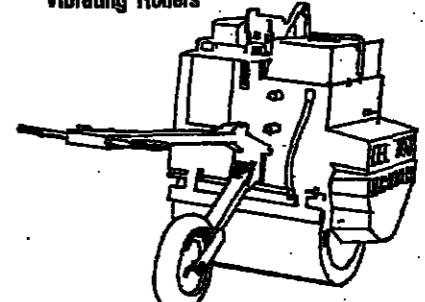
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مكزامن الأصيل

# Spectre of UK energy gap

BY RAY DAFTER AND DAVID FISHLOCK

WITHIN a matter of months, the UK will be producing more fuel—oil, natural gas and coal—than it consumes. It will be the envy of industrialised nations throughout the world. But behind this comfortable picture lies a disturbing energy trend which could pose serious economic problems towards the end of the century.

It is a trend, diagnosed by members in the Department of Energy, which will be given a full airing at the lengthy hearings beginning tomorrow into the National Coal Board's proposals to develop the Belvoir field in North East Leicestershire.

A new assessment of Britain's energy prospects indicates that a need for fuel imports could arise again in the late 1980s, or early 1990s at best. By the turn of the century imports could be running at between 50m and 120m tonnes of coal equivalent (mte). Assuming that oil prices continue to rise in real terms those imports could cost between £2.5bn and £5.5bn annually in today's money values.

The spread of the Department's estimates reflect the uncertainty surrounding economic growth, the success of conservation programmes and the drive to maintain output of indigenous fuels. However, the general tone of the estimates must worry the Government for it is far more pessimistic than the forecasts contained in the last energy policy "Green Paper," published only 20 months ago.

That consultative document showed that in the year 2000 the UK energy demand might be between 450 and 560 mte, again depending on the rate of economic activity in the intervening years. The supply of home-produced energy (including nuclear power and hydro-electricity and a small amount of renewable energy) was put at 475 to 515 mte. On this basis Britain seemed to have at least

a sporting chance of remaining self-sufficient in energy until at least the turn of the century.

The latest departmental energy projections paint a far different picture, although rather surprisingly they have attracted very little public or political comment. The figures should be taken seriously because they indicate that in 2000AD demand could be 445 to 510 mte whereas indigenous production will be no more than 390-410 mte. The prospects for energy self-sufficiency being maintained for the next two decades have seemingly disappeared altogether.

### No one reason

There is no single reason for this worsening trend. It is more a combination of factors involving each of the energy sources. This could make it particularly difficult for the Government to take corrective action.

On the supply side of the equation, a slower-than-expected build-up in coal production is causing considerable concern among energy planners. It was thought last year that output in 2000AD might be about 170m tonnes; now it is expected to be 155m tonnes, in spite of the plan for a coal development programme costing between £4bn and £5bn.

The National Coal Board is not merely faced with the problem of increasing output from the current annual level of about 110m tonnes. It has to transform the industry from one with roots in the 19th century to one fit for the 21st. It also has to compensate for declining production from older pits.

Mr. John Mills, NCB's Board member of production, pointed to some of the industry's frustrations earlier this month. Writing in Coal and Energy Quarterly, the board's review, Mr. Mills said that environmentalists and other pressure groups had delayed full produc-

tion at the new coalfields of Selby and Belvoir by several years with a consequent loss of tens of millions of tons of coal production.

"For such a bright prospect to be hampered by conservationists and environmentalists is folly beyond belief and a great disservice to Britain. Britain cannot afford such costly delaying efforts," he argued.

The Energy Department has also taken a more conservative view about the level of domestic crude oil production at the turn of the century, not due to any environmentalist pressure but simply because there appears to be less to exploit than previous estimates had indicated. Three years ago the Department estimated that the amount of oil to be exploited on the UK Continental Shelf might be in the region of 3 to 4.5bn tonnes. The 1976 "Brown Book" of offshore statistics added that eventually the reserves might prove to be even greater.

The latest estimates, backed by more geological information, suggest that ultimately recoverable reserves should fall in the range of 2.4 to 4.4bn tonnes, with the probability that they will be around 3bn tonnes. On these assumptions UK oil supplies at the turn of the century could be 50 per cent lower than the level foreseen early last year.

There is a good deal of uncertainty surrounding the level of UK gas supplies as well. At the moment British Gas Corporation is being forced to exploit offshore resources much more quickly than it had planned. The inconsistencies in government pricing policies, which now make gas much cheaper than competitive fuels, and fears about future interruptions to oil supplies, have left British Gas facing a far higher level of demand than it can meet.

But even the longer-term supply assumptions of the

Department—again more muted than hitherto—pose some ticklish problems. The Department reckons that the amount of gas still available to the Gas Corporation totals some 60 trillion cubic feet of which 39 trillion cubic feet will come from known UK reserves (10 tcf have already been consumed) and 21 tcf will come from import contracts with Norwegian producers and future discoveries. However, it is questionable whether much of the Norwegian gas will come to the UK, particularly as exploration groups seem to have found enough gas off the Norwegian coast to justify the construction of a pipeline to the lucrative Continental energy market. So gas which might have come to the UK may well end up in France or Germany.

Various factors also influence the lower forecasts on the consumption side of the equation. They include a lowering of economic growth assumptions and an expected change in industrial and commercial activity. In short, the Energy Department expects the less energy intensive service sector to provide a higher proportion of the country's wealth. The steel industry in particular will need less fuel than expected.

However, the Energy Department's figures assume somewhat riskily that energy conservation measures will shave a full 20 per cent off possible consumption levels by the turn of the century. Such savings may well be possible in the industrial and commercial sectors, and there is already much evidence to support this optimism, but as yet there remains considerable doubt about such savings being achieved in private homes and in the transport sector, certainly within the timeframe of the next two decades.

These trends lead remorselessly to a single conclusion. This is that, in order to prepare for the future—the day when

its offshore resources has started to dwindle—Britain must adopt the coal-conservation-nuclear or "co-co-nuke" policy if it is to remain reasonably independent of any need to import substantial quantities of fuel once again by about the turn of the century.

This is not a new conclusion—indeed, it is one widely discussed within the EEC. The term "co-co-nuke" is believed to have been coined in Brussels. But the nearest it has come to being accepted formally as British Government energy policy is the reference in Energy Paper 33, an inter-departmental—18 all told—view of energy, released by the Labour Government early this year. According to this paper: "Conservation is one of three main components—the others being coal and nuclear power—the Government's energy policy in the long term."

Department of Energy officials are convinced that all three legs of this policy are vitally necessary; that it would be better to have two, as for example is implied by the highly publicised "low-energy strategy" which contends that coal and conservation between them could fulfil Britain's needs for the future with a minimal requirement for new nuclear stations, of an order that would plainly not provide a viable nuclear construction industry in the UK.

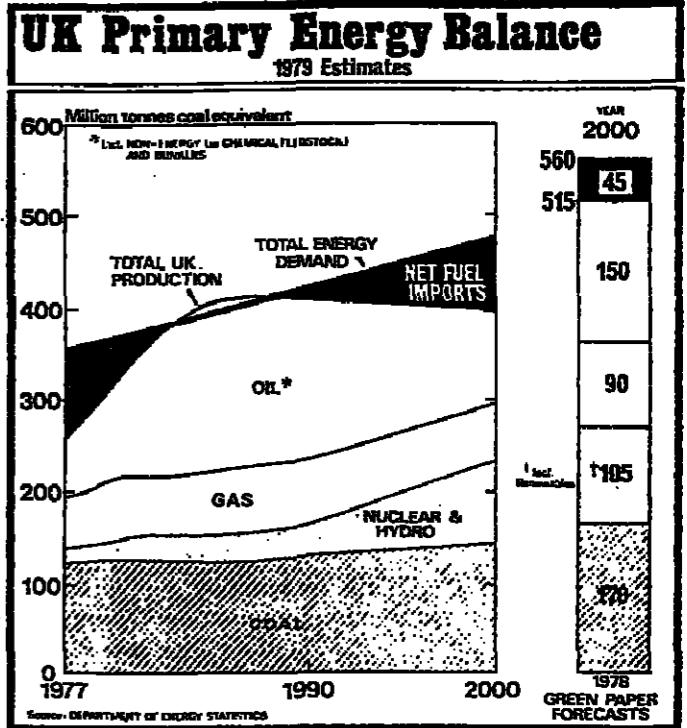
If one sets aside the question: Why try so hard to eliminate the nuclear legs? The Energy Department foresees two basic—and big—weaknesses in a two-legged policy. One is the magnitude of the problem of rebuilding a 19th-century industry as an industry for the 21st century. It assumes that Selby and Belvoir will be just the first of a substantial number of major

new pits in Britain, often in areas of no mining tradition. To reach the output of 155m tonnes of coal mined in the year 2000 the Coal Board must open up 4m-5m tonnes of new capacity every year. Each year a project like Belvoir and its successors is delayed by the argument that "it is not really needed" must mean a shortfall of 4m-5m tonnes at the end of the century.

Coal's main use today is in generating electricity, which accounts for about two-thirds of the demand. But the Energy Department believes that before the end of the century—no matter how bullish the long-range forecasts of British Gas for finding more offshore resources—Britain will need to start turning coal into substitute natural gas (SNG). Fortunately, this technology is progressing smoothly, in the shape of British Gas's "slugging gasifier" experiments in Scotland.

While inevitably the big uncertainty in coal demand is the steel industry and how big a customer it will be for British coal in another two decades, Energy Department officials believe that by then the demand for SNG to keep the gas mains at full pressure will be putting the coal industry under severe pressure.

The idealism of the low-energy strategy seems to fall down badly on three major counts. First, it assumes a very low rate of growth and a decline in the fortunes of manufacturing industry in Britain that no government is likely to endorse. Second, it assumes the availability already of much technology which in fact is unproven and in some instances—coal-fired fluidised-bed boilers suitable for rail-tyre locomotives, for example—no one yet knows how to make and control. Third, and perhaps most damaging, it assumes that people will come to accept that energy and the need to



conserve it are so important and today's big coal-fired stations near the end of their life. The Energy Department has assumed 40 megawatts of nuclear electricity by the year 2000—four times as much as Britain has on-load and under construction today. It would like to have assumed more, but sees risks in plenty in trying to build, from what in some respects is a lamentably run-down base, an industry capable of providing even this capacity. Fortunately, it says, its requirements are not in conflict for skills and other resources with the reconstruction of the coal industry.

The case for nuclear electricity rests firmly on what it is believed the country will need in electricity supplies. But it also rests firmly on economics. Mr. Fred Bonner, deputy chairman of the Central Electricity Generating Board, put it bluntly to an international gathering of bankers recently, when he said: "A great deal has to go wrong to upset the benefits of nuclear power over fossil fuel." There is no doubt any longer that the Department of Energy has accepted the argument.

If electricity stubbornly stays top of the popularity poll as the energy form of greatest convenience, is there some way we might win it from a "benign and renewable" source? The Green Paper, drafted at an early stage in a national research programme, assumed a token 10m tonnes of coal-equivalent by 2000 AD. Two years later the Energy Department is inclined to think it has been optimistic. Wavepower electricity, its own favourite, now looks much more difficult to harness dependably and could cost upwards of 20 times as much as coal or nuclear electricity. The electricity supply industry now puts more faith in offshore windmills, although they will share some of the same engineering problems and economic penalties.

The third leg of the co-co-nuke policy therefore must be a substantial programme of nuclear electricity, steadily supplanting coal in its role as the demand for SNG builds up

## Problems of the CAP

From Messrs. A. Buckwell, D. Harvey and K. Thomson

Sir,—You are absolutely right (October 23) to criticise Mrs. Thatcher's threats in her Luxembourg speech. There is certainly very little probability that any real and lasting progress on the problems of the European budget can be made during the remaining few weeks until the Dublin summit. There is an even smaller probability that sufficient progress to justify the use of threats to stop our budgetary contributions, or to withdraw from the Community, could be made in this time span.

Both you and the Prime Minister, however, have incorrectly diagnosed the principal problem confronting the European Community. The problem is not the method by which Britain contributes to the budget, or even the net amount we pay, but the size of expenditures arising from the common agricultural policy (CAP). Britain's net contributions to the European budget are large and, correspondingly, the French net receipts from the budget are large, because the CAP absorbs the bulk of the budget; most expenditure under the CAP goes to large agricultural net-exporters; and most revenues to fund the CAP come from large agricultural net-importers. If we continue to arrange European agricultural policy to transfer income from consumers and taxpayers to farmers using the instruments of variable levies and intervention buying, then the result will inevitably be large transfers from net-importing countries like Britain and Italy to net-exporting countries like France and the Netherlands.

If these cross-country transfers, which accompany the inter-group transfers, are considered undesirable, then there is little alternative but to abandon the idea of a supra-national agricultural policy. It seems more likely, however, given the persistence of the CAP, that the idea of transferring money to farmers is generally thought worthwhile, but simply to be occurring at too great a rate. If this is the case then the correct solution is either to adjust the existing policy to reduce the levels of support it provides, or to change the method of financing the policy so that individual countries may, themselves, if they wish, support their farmers at a higher level than the Community as a whole desires. Both of these approaches involve changing the CAP itself.

Present government strategy is to tackle the mechanisms by which members contribute to the budget. This offers very little prospect for real success especially in the time period mentioned by the Prime Minister. There are three components of contribution to the budget: variable levies collected on agricultural commodities; import duties collected on non-agricultural goods; and an agreed fraction of a national VAT base. The first two are deeply entrenched in the nature of the Community itself and only the last is amenable to short-term negotiation and change. Of our gross contributions to the budget (£1.8bn in 1979) 43 per cent is the VAT-based contribution. Paradoxically, of all the aspects of the budget mechanism in the EEC,

these VAT contributions are the most equitable between countries in that relative size corresponds approximately to GNP shares. So even if we could persuade our partners to break with this "fair" aspect of contribution we could not expect to gain more than a few hundred million pounds. More importantly, unless the underlying problems of the CAP itself are resolved, such relief would be only temporary, since the existing CAP, with its open-ended commitments, tends to generate ever larger budget requirements.

The Government thus seems prepared to deploy large and not entirely legal threats unsupported by other parties in order to achieve relatively small and certainly temporary improvements in Britain's budgetary contribution. The big stick should be used to beat at the big target, the CAP itself, where at least we have the support of the European Commission.

Allan E. Buckwell, David R. Harvey, Kenneth J. Thomson, Department of Agricultural Economics, University of Newcastle-upon-Tyne.

## UK-U.S. tax treaty

From the President, American Chamber of Commerce (UK).

Sir,—The letter from Mr. Michael Grylls, MP, (October 19) on ratification of the pending U.S.-UK income-tax treaty proposes that U.S. companies which have investments in the UK, and which will be entitled to large refunds of advance corporation tax under the treaty, must "if they want their money" persuade Congress to legislate against unitary taxation by individual states.

As Mr. Grylls knows, the American Chamber of Commerce (UK) has established a special project committee, with substantial and independent financial support from leading American-owned companies such as Exxon, Hercules Powder, Occidental Petroleum, Xerox and Woolworth, to press for immediate ratification of the tax treaty and to maintain a continuing effort to limit and repeal the unitary tax system in individual states.

This special project will be pressed to a conclusion even after ratification of the double taxation treaty, which was signed by both governments on December 31, 1975. The original treaty contained a specific provision prohibiting the application of the unitary tax system to British companies by individual states. The treaty as it will be presented to Parliament in the present session retains a prohibition on use of the unitary tax computation method by the federal government, but the provision which would have forced certain states to alter their local taxation methods was deleted from the treaty during the course of the ratification proceedings in the Senate.

As every Member of Parliament should know, the federal system in the U.S. does not permit the national government to dictate tax policy to individual states, and this is a particularly sensitive issue at the moment. Efforts in Washington to attack the unitary tax system used in California, Alaska and Oregon often encounter a strong states'

rights lobby, which was one of the mainstays of opposition to the treaty. It is the American Chamber of Commerce's policy to support the application of the unitary tax system by state income-tax or franchise tax authorities.

The Chamber's special project committee will maintain a permanent staff member to help coordinate all efforts for repeal of existing unitary tax systems and to head off any future legislation imposing this form of hypothetical income calculation as the basis for state taxation. I hope your concerned readers will join in these efforts to roll back the unitary tax movement, which was initiated by state governments in the U.S. in order to counter abuses by a few companies in the reporting of income for state tax purposes.

It would be wrong for companies in the UK to believe that approval of the 1975 treaty would end the opposition by American business firms to the unitary tax system. These are really two separate issues, and we do not, therefore, think it is productive for British companies to continue their efforts to delay further ratification of the treaty as a weapon in the effort to achieve repeal of the unitary tax system where it now operates.

A. Edward Gotesman, American Chamber of Commerce (UK), 75, Brook Street, W1.

## No speculative orgy

From the Chief Executive, Waters

Sir,—When Mr. Beckman (October 22) compared the housing market of 1979 with the American Stock Market of 1929, he assumed that there has been a speculative orgy in housing fuelled by a potentially disastrous price inflation. The facts support neither part of his assumption.

Taking 1973 as 100, properties now stand at 208, the general index of retail prices (all items) at 237 and average earnings at 244. The house price to earnings ratio, therefore, has fallen from 4.11 to 3.63. Hardly a promising start to a speculative orgy.

The facts on borrowings by second-time purchasers, i.e., that category of house-buyer who might speculate in property are equally unhelpful to Mr. Beckman's theory. The average mortgage taken out by a purchaser is now less than 50 per cent of the house price, having fallen in the last 21 months by nearly 10 per cent. Moreover their mortgage advance to income ratio has fallen from 1.69 to 1.66 in that same period.

These facts indicate that house prices have still not recovered from the relative decline they suffered over the years 1974 to 1977, and that contrary to Mr. Beckman's theory, houses are still a sound investment.

Christopher Waters, 1260, London Road, Norbury, SW16.

## Farms and tax

From the Deputy Director, Economics Division, National Farmers' Union

Sir,—Mr. Sutherland's latest letter (October 23) shows a curious lack of understanding of the principles of accounting for stock changes. What he describes is not stock appreciation (that is a change in the monetary value of an exchangeable physical quantity of stocks) but what is usually called work-in-progress. The work-in-progress change and any change in the volume of stocks held at the end of the year is included in the aggregate income calculation. There is equally no question of any element of the farmer's receipts being left out of the income data which I quoted.

Mr. Sutherland takes me to task for comparing "only one (poor) terminal year with one earlier year." The latest three year period (1976-78) shows real income per full-time farm business to be 10.5 per cent up on the three years 1967-69 (the earliest comparable triennium available). This is not inconsistent with my figure of a 12 per cent growth over the decade.

Mr. Sutherland asserts that economies of scale run out at 250-300 acres "with the major advantages in long run unit cost running out at 100 to 150 acres." The best known study of economies of scale in UK farming was that published by Britton and Hill in 1975. Far from finding convincing evidence of diseconomies of scale those authors—who, like Mr. Sutherland, used the Farm Management Survey as the source of their data—admit that "the FMS does not provide enough data about very large farm businesses to give any clear indications about possible economies of size at that end of the scale."

As regards potential capital transfer tax liability, it is esti-

mated to have risen from £18,000 in June 1973 to £54,000 in June 1978—and would, perhaps be £97,000 in June 1979—on farms averaging 235 acres. On the 1,000 acres farm the figures show that CTT in June 1978 would be nearly £370,000. Splitting between husband and wife—the most usual form of tax planning recommended—would cost £12,000 in stamp duty and reduce the bill only to £320,000. The corresponding figures at June 1979 would be £564,000 in single ownership or £500,000 if split. These sums would have to be found out of taxed income if farms are to survive intact.

John Malcolm, National Farmers' Union, Agricultural House, Knightsbridge, SW1.

## Money for museums

From Mr. J. Rubens

Sir,—The whole of Roy Strick's third paragraph (October 23) deals with the difficulty of collecting charitable funds in this country, and the ease of doing so in the U.S.

The difficulty is not just due to the benevolence of U.S. citizens, but to the benevolence of their tax system which allows a 50 per cent tax deduction for individuals making a payment to charities, and a deduction of 30 per cent for companies making a similar payment.

If we had such a system here, the whole aspect of the financial situation of museums etc. in this country would be dramatically changed.

John E. Rubens, Berkeley Square House, Berkeley Square, W1.

## Today's Events

**GENERAL**  
UK Chairman Hua Guofeng, the Chinese leader, on second day of visit, goes to Tower of London, meets Mrs. Margaret Thatcher at 10 Downing Street, sees Sleeping Beauty ballet at Covent Garden.

**Crown Agents Tribunal** resumes, Piccadilly Hotel, London.

**Mr. James Prior**, Employment Secretary, speaks at Road Haulage Association conference, Brighton.

**Vauxhall Amalgamated Union** of Engineering Workers mass meeting, Luton.

**Lord Soames**, Lord President of the Council, addresses

**EEC Fisheries Council** meets, Brussels.

**President Giscard d'Estaing** in West Berlin—first post-war visit by French head of state.

**PARLIAMENTARY BUSINESS**  
House of Commons: Debate on Royal Commission Report on Gambling, EEC Documents on oil purchases, energy and coal.

**COMPANY RESULTS**  
Interim dividends: London Atlantic Investment Trust. Interim figures: John Crowther Group, Dweek Group.

**COMPANY MEETINGS**  
See Financial Diary on page 23.

**Other events:**  
Oxford University Conservative Association, Oxford.  
Mr. Norman Fowler, Transport Minister, speaks at Chingford Conservative Association dinner, Highams Park.  
March against Government health service cuts, Lambeth.  
Mr. Joe Gormley, National Union of Mineworkers president, addresses Foreign Press Association.  
Sir Richard Marsh, Newspaper Publishers Association chairman, speaks at National Federation of Building Trades Employers' lunch, Goldsmiths' Hall, London.  
Mr. Tom King, Environment Minister, addresses Ripon Conservative Association, Otley.  
Highlands and Islands tourism exhibition opens, Aviemore (until October 31).  
Fire safety exhibition opens, Royal Exchange, London (until November 2).  
European Atlantic Group discuss shipping in relation to defence, politics and energy, House of Commons.  
Overseas: EEC Council of Minister meets, Brussels.

# CONSTRUCTIVE ADVICE.

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# UK COMPANY NEWS

## Satisfactory year seen by Galliford Brindley

THE current year at Galliford Brindley, construction group, has started reasonably with generally adequate order books, and the directors believe that the outcome for the 12 months will be satisfactory. Mr. Peter Galliford, chairman, tells members in his annual statement.

As already reported, pre-tax profits for the year to June 30, 1979 improved from £2.51m to £2.97m on higher turnover of £51.65m against £38.58m. An analysis of turnover and profits shows (£000s omitted): building and development £11,453 and £792; civil engineering £23,801 and £911; special services £10,689 and £563; engineering £2,490 and £196 and plant hire £3,213 and £408.

Mr. Galliford says that both building and development and civil engineering at present have a satisfactory workload. In specialist services Galliford Roadstone produced excellent results last year and a repeat performance is expected for the current 12 months. The engineering company, Caldon and Brown returned adequate figures for 1978-1979 and has sound order books, while improvement is foreseen from the plant hire division.

The consolidated balance sheet discloses fixed assets of £4.46m (£3.97m) and net current assets of £3.55m (£2.5m).

On a current cost basis pre-tax profit for the year under review is £2.93m (£1.93m), after adjustment for depreciation £396,224 (£744,363), cost of sales £481,041 (£278,149), interest £26,694 (£435,890).

The AGM of the company will be held in Coventry, on November 21, at 12.30 pm.

**SHARE STAKES**  
Crystallite (Holdings) — Mr. J. C. South, director, has disposed of 270,000 shares.  
Nottingham Manufacturing — A Trust, in which Mr. H. A. S. Dianopis is a trustee, has acquired 700,000 shares.

### BOARD MEETINGS

The following companies have notified details of Board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether dividends are interim or final and the sub-divisions shown below are based mainly on last year's timetable.

**TODAY**  
Interim—London Atlantic Investment Trust.  
Final—Transval Consolidated Land and Exploration.

**FUTURE DATES**  
Interim—Nov. 22  
Nov. 22 City of London Brewery  
Nov. 20 Evans of Leeds  
Nov. 20 Findlay (Andrew R.)  
Nov. 20 Fokes (John) Welfo  
Nov. 14 Hambros Investment Trust  
Nov. 1 Polymark International  
Nov. 7 Redfern International  
Nov. 7 Richardson, Westgarth  
Nov. 31 Whitbread  
Nov. 6  
Nov. 7  
Nov. 7  
Nov. 1  
Nov. 9

## CLRP earns and pays more

REVENUE of CLRP Investment Trust expanded 24.9 per cent from £525,134 to £655,931 for the year ended August 31, 1979, before tax of £224,505 compared with £198,103.

And from earnings per 25p share of 2.96p (2.3p), the dividend is stepped up to 2.8p (2.1p) net, with a final of 1.8p.

Gross revenue, including special non-recurring dividends of £18,203 (nil), amounted to £355,872 against £317,076.

Dividend cost for the year is £392,000 (£294,000), and the amount retained £21,926 (£1,842).

Investments at valuation, with net current assets, at the year-end were £16.45m (£16.98m), or 99.1p (101.1p) per share. No account has been taken of

## Websters slips in first half

Taxable profits of Webster Publications slipped from £237,000 to £201,000 in the first half of 1979 after interest charges up from £51,000 to £112,000.

The board says that increased developments have led to the higher interest costs. The recent fall in consumer demand adds to uncertainty, but the group is in a strong position to maintain growth, and prospects remain favourable.

The interim dividend is lifted from 0.5908p net to 0.7p. Last year a total of 1,4967p was paid on taxable profits of £918,000.

Turnover for the half-year was up from £8.85m to £11.2m and tax takes £80,000, against £95,000. The group is a printer, publisher and wholesale book distributor.

## Progress at Dualvest

Taxable revenue of Dualvest rose from £362,399 to £406,216 in the half-year to September 30. Net asset value per 50p income share was down from 472p to 438.3p.

The interim dividend is being raised from 2.55p to 2.93p. In addition there is a special 0.7249p arising from the Shell Transport distribution. Last year's total payment was 5.249p after the company had made taxable revenue of £758,000.

Tax for the half-year takes £140,796 (£132,179).

## Spong moves into loss

Spong, the hardware manufacturer and wireworker, reports another mid-term loss. In the first half of 1979 the taxable loss deepened to £123,064, compared with £83,062 last time. At the end of last year the group had recovered to a taxable profit of £10,742.

The directors say the company was hit by a sales decline and the strength of sterling.

They anticipate an overall loss for this year, although there will be some seasonal recovery in the second half.

There is again no interim. The last dividend was a final of 0.51p net for 1977.

Demand for traditional products has continued to decline, particularly in overseas markets where sales have fallen by 17.8 per cent in 1978.

The problems creating the decline have not abated, and the recent strength of sterling has only underlined the difficulties of selling abroad from the UK manufacturing base, the directors explain.

While the UK market has not experienced the same reduction in demand it has only been by additional sales effort in terms of new packaging and better representation that turnover has been maintained at the same level as 1978—£1.05m, against £1.15m.

But the directors are optimistic about the launch of a new range of some 59 products. The development phase is complete, and there has been very favourable receipt on the products from the hardware trade.

But these new items will not contribute substantially to company's profitability until 1980.

## Sphere Inv. mid-way increase

TAXABLE revenue of Sphere Investment Trust increased to £1.22m from £985,127 in the half year to September 30, 1979. Gross revenue excluding special non-recurring dividend of £50,000, advanced from £1.27m to £1.42m.

The board points out, however, that the company's revenue is not received equally in both halves of the year and while total revenue for the current year is expected to show a satisfactory increase over last year's £2.69m, the level of improvement shown at the interim stage may not be maintained.

The special dividend is reflected in an interim payment of 2.3p, compared to 2.0p forecast at the last year end. Last time the midway payment was 1.85p and followed by a final 2.35p.

Total assets less current liabilities are shown as £57.52m compared to £61.31m, reducing the net asset value of each 25p share to 171.2p (183.3p at March 31, 1979). This includes 8p (8.5p) investment currency premium.

## Crown Agents ex-chief starts his evidence

BY RAY MAUGHAN

THE INVESTIGATION into losses of more than £200m incurred by the Crown Agents between 1967 and 1974 resumes today. The three-man Tribunal of Inquiry, which commenced hearings in September last year, is expected to take evidence from the Agents' former chairman, Sir Claude Hayes.

His evidence should be completed before Christmas and will be followed in the New Year by testimony from the Ministry of Overseas Development.

Sir Claude was chairman until September, 1974 and was succeeded by Sir John Cuckney. He, in turn, was replaced by Mr. Sidney Bourne in June last year.

The Agents lost an estimated £224m in the secondary banking and property sectors in deals outside the normal role of handling trade for developing countries and government departments. The Committee of Inquiry, led by Judge Edgar Fav, attributed these losses to incompetence rather than misconduct. The action and inaction of individuals, coupled with defective systems of accountability, management control and bad

## Crown Agents ex-chief starts his evidence

accounting, the Fay Committee found, were the cause.

Publishing a 205 page report in 1977 on the events leading to a request for Government help, the Committee concluded that the agents conducted a substantial secondary banking activity, engaging in investment and lending which was unwise both in character and degree.

The Government had intended to set up a private inquiry to investigate the question of individual responsibility for the losses but suffered a decisive defeat in the Commons in an emergency debate on these proposals in December, 1977. By a majority of 32, MPs voted that a full-scale inquiry should be set up to investigate the matter in public.

The terms of a reference for the tribunal were drafted early in the following year and, since starting the investigation last autumn, the inquiry has heard evidence from Mr. William Stern, the former property tycoon whose bankruptcy statement of affairs showed that he owed £24m to the Agents. Several former agents' employees

have been questioned including Mr. Alan Challis, the former finance director.

The Tribunal recessed last July and it had intended to start hearings on September 11. The resumption, however, has been periodically delayed because the Rhodesia conflict zone is occupying the hearing rooms at the St James Press and Conference Centre. Deciding that the inquiry must not resume as soon as possible, the Tribunal will be sitting at the Piccadilly Hotel.

## FT Share Service

The following securities have been added to the Share Information service appearing in the Financial Times:

Alico Standard Corporate (Section: Overseas—New York Basic Resources International SA (Oils), Cradley Printing Company (Paper, Printing Advertising), Redland Limited (£ sterling Warrants (Bullingtons), Seltrust A (Mining Australia).

## OIL AND GAS NEWS

### Foreman makes find in Sharjah

ENCOURAGING quantities of oil have been found in an offshore area of the Emirate of Sharjah, according to an official of the Petroleum Department, reports Kathleen Bishaw from Dubai.

Drilling has been continuing for some months in a concession held by the U.S. company, Foreman Exploration.

Oil has been found at a depth of 30,000 feet, the deepest ever drilled in Sharjah. No indication has been given, however, on the flow rate of the oil.

Foreman secured the concession only last June, and this latest find will undoubtedly boost flagging morale of local business men in the Emirate.

Oil production has been declining for the last two years, and is now at a level of only 12,000 barrels a day.

Under an old agreement also, Sharjah is obliged to pay half of its oil revenues to Iran.

Aquitaine Canada, operator of the Baffin-Labrador group, said a 55 metre sand zone near the 3,250 metre level of its Auit Hekja well in the Labrador Sea contained hydrocarbons, reports Robert Gibbons from Montreal.

The well is located offshore about 100 miles south-east of Frobisher, at the east end of Baffin Island. It is to be completed in the 1980 summer season.

Because of time lost overcoming technical problems, Dome Petroleum will not now deepen the Tarsuit well in the Beaufort Sea by 1,000 feet to 15,500 feet, as originally planned, and will begin production testing of both the Tarsuit and Nerlerk wells in the remainder of the work season to end-October.

Testing will be completed next

to 4,700 metres. Full penetration of the zone was not possible before the end of this season, nor was testing.


Participants in the group are Aquitaine, with 55 per cent; Petro-Canada, with 15 per cent; Sogip, the Quebec Government's oil exploration company, with 15 per cent; and PanCanadian Petroleum and Home Oil with 7.5 per cent apiece.

Mobil Canada is starting a two-year drilling programme in the Sable Island offshore area 250 miles east of Halifax, Nova Scotia, to evaluate gas potential following the venture D-23 find made this summer.

The company says the area could provide gas supply for parts of eastern Canada, but much work remains to be done. Two rigs will be brought into the Sable area in 1980 to conduct the follow-up programme. Mobil will be drilling deeper to the 5,500 metres level.

Mr. Naughton also reveals that seismic evaluation of existing data has commenced in an exploration area south of the Kingfish oil field in Australia's Bass Strait. York has a 20 per cent interest in the exploratory permit No. Vic/P12. The seismic survey is now expected in early 1980.

*This announcement appears as a matter of record only*



## Red Nacional de los Ferrocarriles Españoles

**\$70,000,000**

Multicurrency Loan

Unconditionally Guaranteed

by

### The Kingdom of Spain

Dillon, Read Overseas Corporation

European Arab Bank

Swiss Bank Corporation

Banco de Vizcaya

Banque Belge Limited/Société Générale de Banque S.A.

County Bank Limited

Banco de Vizcaya, S.A.

Banque de l'Indochine et de Suez

European Arab Bank

International Commercial Bank Limited

Société Générale de Banque S.A.

Banque Nationale de Paris

Bank of Tokyo and Detroit (International) Limited

Banque de l'Indochine et de Suez

The Dai-ichi Kangyo Bank, Limited

The Fuji Bank, Limited

Provided by

Bank of Tokyo and Detroit (International) Limited

County Bank Limited

The Dai-ichi Kangyo Bank, Limited

The Fuji Bank, Limited

Kredietbank N.V.

National Bank of North America

Swiss Bank Corporation (International) Limited

Centrale Rabobank

MTBC & Schroder Bank S.A.

Agent Bank

Banque de l'Indochine et de Suez

15th October, 1979

## George M. Callender improves

INCREASED taxable profits of £277,846 against £184,888 are reported by George M. Callender and Co., manufacturer of damp-proof courses and roofing felt, for the six months to June 30, 1979.

In May the directors expressed the hope that they would be able to make good the setback, from £541,000 to £423,000 total pre-tax profits last year.

Group turnover in the first half rose from £2.82m to £3.55m. After tax of £144,324 (£96,194), the attributable profit is lifted from £95,375 to £112,472.

Net asset value per 50p share is maintained at 0.605p—a final of 0.715p was paid last time.

## W. Bromwich Spring growth

On turnover up from £1.81m to £2.07m, taxable profits of West Bromwich Spring Company, spring and pressings manufacturer, advanced from £228,000 to £275,000 for the first half of 1979.

In July, the directors reported a downturn in annual profits from a record £596,000 to £350,000 and said that current year manufacturing was on a comparable basis with 1978.

First half earnings per 10p share are shown as 2.07p (2.13p), and the net interim dividend payment is unchanged at 0.29p—last year's final was 0.797p.

Net profit for the period came out at £132,000, against £109,000, after tax of £143,000 (£119,000).

## BIDS AND DEALS

**CRA CONSIDERING ALTERNATIVES**  
Comzine Riotinto of Australia (CRA) has sent out its offer document for all the stock units of BH South, to shareholders in that company.

The offer is on the basis of four CRA shares plus \$1.25 for every five BH South.

Sir Roderick Carnegie, chairman of CRA, advises shareholders, in a letter with the offer document, that following the announcement of the bid by Western Mining Corporation for BH South, the company is still considering alternative courses of action.

The company expects to have further discussions with BH South before making this decision.

However, under the Companies Act, CRA had to mail the offer documents by October 26 to ensure that its offer remained valid.

CRA has recommended to BH South shareholders that they delay a decision on the offer. A further letter will be sent to holders when CRA chooses its course of action.

## MITCHELL COTT'S TRANSPORT

MITCHELL COTT'S TRANSPORT SERVICES has acquired from Ready Mixed Concrete the capital of Pointer Transport for £75,200 cash.

Pointer operates from warehouse premises at Bury St. Edmunds and distributes packaged oil products in East Anglia on behalf of several major oil companies. MCT already operates two major depots in East Anglia, at King's Lynn, for the movement of bulk liquids for the chemical and oil industries and for transporting raw and refined sugar.

**ARMSTRONG/GKN**  
Armstrong Equipment has completed the sale to GKN of its automotive replacement parts wholesale and retail outlets in the UK. Certain governmental consents are still required for the sale of the outlets in Eire and France and completion of these transactions will take place as soon as these are received.

**SIMCO MONEY FUNDS**

Saturn Investment Management Co. Ltd.  
60 CANNON STREET, LONDON EC4A 3DF  
Telephone 01-256 1425

Rates paid W/E Oct. 28th 1979	
Call	7-day
% p.a.	% p.a.
Mon. 13.637	13.577
Tue. 13.830	13.586
Wed. 13.939	13.623
Thurs. 13.979	13.603
Fri./Sun 13.972	13.634

**FINANCE FOR INDUSTRY TERM DEPOSITS**

Deposits of £1,000-£50,000 accepted for fixed terms of 3-10 years. Interest paid gross, half-yearly. Rates for deposits received not later than 2.11.79.

Terms (years)	3	4	5	6	7	8	9	10
Interest %	12 1/2	12 1/2	12 1/2	12 1/2	12 1/2	13	13	13

Deposits to and further information from The Chief Cashier, Finance for Industry Limited, 91, Waterloo Road, London SE1 8XP (01-928 7822, Ext. 367). Cheques payable to "Bank of England, a/c FFI". FFI is the holding company for ICFC and FCI.

**P. S. A. Peugeot-Citroen**

A French "société anonyme" governed by the Articles 118 to 150 of the French law of July 24, 1966

Capital: French Francs 861,837,130

Head Office: 75, avenue de la Grande Armée, Paris (France)  
Commercial Register: PARIS B 784.646.796

**SECOND NOTICE TO HOLDERS OF BONDS 9 1/2% 1979-1987 OF FRENCH FRANCS 5,000**

The bondholders of the International Loan 9 1/2% 1979-1987 issued by P.S.A. PEUGEOT-CITROEN who were called for October 22, 1979, being unable to meet validly for lack of quorum, the bondholders are again convened to an Ordinary General Meeting at 75, avenue de la Grande Armée, Paris (France), on November 14, 1979, at 3 p.m., in order to consider the same agenda as that for the first meeting, that is:

- Appointment of the bondholders' permanent representatives, designation of the substitute representatives.
- Determination of the bondholders' representatives' capacities and of the remuneration given to this permanent representatives.

To permit the bondholders to attend or to be represented at this meeting, the bonds or their deposit receipts must be deposited at least five days before the date fixed for the meeting, at the offices of the banks having participated in the placing of these bonds and from whom proxies or admission cards can be requested.

The "Directoire"

**U.S. \$25,000,000**

Floating Rate U.S. Dollar Negotiable;  
Certificates of Deposit due 29th October, 1981

**THE DAI-ICHI KANGYO BANK, LIMITED**


LONDON



Merrill Lynch International Bank Limited  
Agent Bank

In accordance with the provisions of the Certificates, notice is hereby given that for the six months interest period from 29th October, 1979, to 29th April, 1980, the Certificates will carry an Interest Rate of 15 1/2% per annum. The relevant interest payment date will be 29th April, 1980.

(This notice is for information only and does not constitute an offer in relation to the issuer referred to.)



## Crédit Commercial de France

### Notice to holders of Bearer Shares

Issue of 371,800 FF Convertible Bonds at par

Pursuant to authorisation granted by shareholders at an Extraordinary General Meeting held on 17th October 1979, the Board has decided to issue 371,800 FF Convertible Bonds of FF 950 each at par to raise a total of FF 353,210,000. The Bonds will carry an initial coupon of 9 per cent from 22nd October 1979, rising in stages over the life of the Bonds to 10 per cent from 1st January 1988. Each Bond will be convertible into 5 Ordinary Shares of FF 75 of the Company at any time from 22nd October 1980.

Bonds will be redeemed at various dates between 1st January 1984 and the 1st January 1992 subject, in the case of redemption, to the holder's right upon receiving notice of redemption to exercise the right of conversion.

Shareholders have priority subscription rights for the Bonds on the basis of 1 Bond for every 16 Shares held and holders of Bearer Shares should contact the representative office of Crédit Commercial de France at 41 Eastcheap, London EC3M 1HX for information.

This priority right is non-negotiable.

The last date for Shareholders to subscribe for the Bonds under their priority rights will be the 6th November 1979.

Application has been made for the Bonds to be listed on the Paris Bourse.

Shareholders are strongly advised to consult their stockbroker, bank manager, solicitor, accountant or other professional adviser immediately.

29th October 1979

Financial Times Monday October 29 1979
INTL. COMPANIES and FINANCE

PENDING DIVS. RECENT ISSUES

Record interim profit and sales at Fuji Electric

TOKYO—Fuji Electric Company, one of the major Japanese electric concerns, raised its net profit in the first half by 51.8 per cent to ¥1,038bn (\$7.8bn) from ¥1,023bn in the same period of the previous year, and up 17.2 per cent from ¥1,56bn in the second-half of 1978-79.

National Bank ruling upheld

By John Wicks in Zurich
THE SWISS Federal Court has rejected appeals by the Federal Council and the Ministry of Finance against a National Bank ruling, according to which the Zurich bank (Credit Suisse) owes SwFr 81.7m (\$49.2m) in negative interest commission.

Strong first half at ASCOL

BY JIM JONES IN JOHANNESBURG
FOLLOWING THE 88 per cent first half attributable profits increase reported by South African Breweries 53 per cent owned furniture retail arm, AMREL, SAB's 56 per cent owned furniture manufacturing subsidiary ASCOL has announced a 57 per cent attributable profit advance.

Swiss Bank moving ahead

BY OUR ZURICH CORRESPONDENT
OPERATING PROFITS of Swiss Bank Corporation, Basle, have shown a "notable improvement" in the first three-quarters of 1979 over the declining earnings for the same period of last year.

Improvement at Kloeckner

DUISBURG—Despite generally improved results, Kloeckner-Werke AG still expects to report a loss for its fiscal year ended September 30, but the red ink will be lower than the DM 75m (\$41.6m) deficit in West Germany's third largest steel-maker reported for the preceding fiscal year, according to Mr. Herbert Glenow, chairman of the Management Board.

Swiss Bank moving ahead

ties declined. The rise in operational costs was within budgeted levels. The bank's balance sheet total rose further, to reach SwFr 65.24bn (\$39.8bn) on September 30. While the due-from-banks sum dropped considerably since the beginning of the year, from SwFr 27.65bn (\$16.65bn) to SwFr 23.24bn (\$14bn).

Table with columns: Date, Announcement last year, Final 11 cents, Final 1.3719, etc.

Table with columns: Issue Price, Annual Dividend, Yield, etc. Includes entries for ANZ, Airfr Inds., Allied Irish, etc.

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LOCAL AUTHORITY BOND TABLE

Table with columns: Authority, Annual Interest, Life gross pay-able, Minimum of interest sum, Year bond. Includes entries for Burnley, Gtr. Manchester, Knowsley, etc.

CURRENCIES, MONEY and GOLD

An eventful week

BY COLIN MILLHAM
Last week was eventful as far as the foreign exchange market was concerned, although the volume of trading was not notably heavy.

Swiss Bank moving ahead

ties declined. The rise in operational costs was within budgeted levels. The bank's balance sheet total rose further, to reach SwFr 65.24bn (\$39.8bn) on September 30.

GOLD

Table with columns: October 26, October 25. Includes Gold Bullion (fine ounce), Gold Coins, etc.

OTHER MARKETS

Table with columns: Oct. 26, Oct. 25. Includes Argentina Pesos, Australia Dollar, Brazil Cruzeiro, etc.

THE DOLLAR SPOT AND FORWARD

Table with columns: Oct. 26, Oct. 25. Includes Day's spread, Close, One month, etc.

THE POUND SPOT AND FORWARD

Table with columns: Oct. 26, Oct. 25. Includes Day's spread, Close, One month, etc.

EURO-CURRENCY INTEREST RATES

Table with columns: Oct. 26, Oct. 25. Includes Sterling, U.S. Dollar, Canadian Dollar, etc.

THE POUND SPOT AND FORWARD

Table with columns: Oct. 26, Oct. 25. Includes Day's spread, Close, One month, etc.

LONDON MONEY RATES

Table with columns: Oct. 26, Oct. 25. Includes Overnight, 2 days notice, 7 days notice, etc.

THE POUND SPOT AND FORWARD

Table with columns: Oct. 26, Oct. 25. Includes Day's spread, Close, One month, etc.

INSURANCE BASE RATES

Table with columns: Property Growth, Vanbrugh Guaranteed, Address shown under Insurance and Property Bond Table.

CORAL INDEX: Close 438-443 (-3)

INSURANCE BASE RATES

Table with columns: Property Growth, Vanbrugh Guaranteed, Address shown under Insurance and Property Bond Table.

Berec advertisement featuring a large image of a watch face with the word 'BEREC' in large letters. Text includes 'Berec Button Cells - an advanced power source for electronic watches and calculators.' and 'Berec Group Limited Interim Results.'

Berec Group Limited Interim Results. Text includes 'As foreshadowed at the Annual General Meeting, industrial unrest in the UK and the continued closure of the Nigerian market have contributed to the serious short-fall in this half year.' and 'However, we are actively developing alternative markets for our products and the Board are of the opinion that the poor results of the first half will not be representative of the full year.'

Table with columns: Oct. 26, Oct. 25. Includes Sterling, U.S. Dollar, Canadian Dollar, etc.

WORLD STOCK MARKETS

Companies and Markets

Indices

NEW YORK - DOW JONES

Table showing Dow Jones indices for 1979, including Industrial, Transport, and Utility sectors, with columns for High, Low, and Close prices.

STANDARD AND POORS

Table showing Standard and Poors indices for 1979, including Industrial, Transport, and Utility sectors, with columns for High, Low, and Close prices.

NEW YORK

Large table listing individual stock prices for various companies in New York, including sectors like Chemicals, Electronics, and Services.

N.Y.S.E. ALL COMMON

Table showing N.Y.S.E. All Common stock market statistics for 1979, including volume, high, low, and close prices.

MONTREAL

Table showing Montreal stock market statistics for 1979, including volume, high, low, and close prices.

TORONTO

Table showing Toronto stock market statistics for 1979, including volume, high, low, and close prices.

JOHANNESBURG

Table showing Johannesburg stock market statistics for 1979, including volume, high, low, and close prices.

FRIDAYS ACTIVE STOCKS

Table listing active stocks on Friday, October 26, 1979, with columns for stock name, price, and change.

AMSTERDAM

Table showing Amsterdam stock market statistics for 1979, including volume, high, low, and close prices.

OSLO

Table showing Oslo stock market statistics for 1979, including volume, high, low, and close prices.

COPENHAGEN

Table showing Copenhagen stock market statistics for 1979, including volume, high, low, and close prices.

STOCKHOLM

Table showing Stockholm stock market statistics for 1979, including volume, high, low, and close prices.

BRASIL

Table showing Brazilian stock market statistics for 1979, including volume, high, low, and close prices.

VIENNA

Table showing Vienna stock market statistics for 1979, including volume, high, low, and close prices.

SWITZERLAND

Table showing Swiss stock market statistics for 1979, including volume, high, low, and close prices.

HONG KONG

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CANADA

Table showing Canadian stock market statistics for 1979, including volume, high, low, and close prices.

SPAIN

Table showing Spanish stock market statistics for 1979, including volume, high, low, and close prices.

TEL AVIV

Table showing Tel Aviv stock market statistics for 1979, including volume, high, low, and close prices.

GERMANY

Table showing German stock market statistics for 1979, including volume, high, low, and close prices.

FRANCE

Table showing French stock market statistics for 1979, including volume, high, low, and close prices.

NETHERLANDS

Table showing Dutch stock market statistics for 1979, including volume, high, low, and close prices.

AUSTRALIA

Table showing Australian stock market statistics for 1979, including volume, high, low, and close prices.

TOKYO

Table showing Japanese stock market statistics for 1979, including volume, high, low, and close prices.

BRUSSELS/LUXEMBOURG

Table showing Belgian/Luxembourg stock market statistics for 1979, including volume, high, low, and close prices.

MILAN

Table showing Italian stock market statistics for 1979, including volume, high, low, and close prices.

BASE LENDING RATES

Table showing base lending rates for various banks and currencies, including A.B.N. Bank, Allied Irish Bank, and Amro Bank.

PUBLIC WORKS LOAN BOARD RATES

Table showing public works loan board rates for various terms, including 1 year, 2 years, and 3 years.

STOCKHOLM

Table showing Stockholm stock market statistics for 1979, including volume, high, low, and close prices.

PARIS

Table showing Paris stock market statistics for 1979, including volume, high, low, and close prices.

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# European combat aircraft racing against timescale complications

BY MICHAEL DONNE

PLANS ARE now being laid in Western Europe for the possible development on an international basis of a major new combat aircraft for service from the late 1980s or early 1990s. This is needed to replace existing Jaguar battlefield close-support aircraft in service with the RAF and French air forces, the RAF's Harrier jump-jet fighters, and the Phantom fighters in service with the Luftwaffe.

At stake is a programme that could run to more than 700 aircraft, costing several billion pounds in research, development and production. This would be the second biggest military aircraft venture undertaken in Western Europe since the Second World War, after the current £600-million, 280-plus Tornados multi-role combat aircraft programme.

Because of the length of time involved in producing any new advanced military aircraft—usually up to 10 years from conception to entry into service—the three major air forces of Western Europe, the RAF, the French L'Armée de l'Air and the West German Luftwaffe, have all been thinking for some time of what to do to meet their requirements in the late 1980s and beyond, when the existing types in service will be ageing fast, and outdistanced by developments in the Soviet and Warsaw Pact air forces.

As their studies have progressed, both independently and more recently also jointly, they have been forced to two main conclusions.

The first is that because of the heavy costs of developing

any new type of military aircraft, international collaboration is not just desirable, but essential, to widen the market and spread the burden of costs.

But secondly, they have discovered some marked differences in what each country really wants, and in the timing of their requirements.

Reconciling these conflicting aims is the major problem now facing the air forces and aerospace industries of all three countries, at the behest of the Defence Ministers of the three countries, who met in Hamburg last week.

**Merging plan**

In Britain the RAF's studies originally concentrated on what is called Air Staff Target (AST) 419, a plan to merge into one aircraft the replacement of both the fixed-wing Jaguar strike aircraft and the Harrier vertical take-off (jump-jet), aircraft, going into service in the late 1980s-early 1990s.

In France, the major military aircraft builder, Dassault-Breguet, has developed alone its Mirage 2000 multi-role jet fighter, and more recently the more advanced but also multi-role Mirage 4000. Either could be regarded as a Jaguar replacement, and both are being built. But France does not have the Harrier, and is not interested in any kind of vertical take-off requirement.

Similarly, in Western Germany, there is no interest in vertical take-off at present. Also, because the Phantom fighters have only recently been

introduced, there is less urgency about replacing them, the date being several years behind the RAF's need to replace the Jaguar. The West Germans have concentrated on their own TKF (Taktische Kampfflugzeug) venture, for a tactical combat aircraft replacement, for both close support and "air superiority"—command of the skies high over the battlefield.

The differing timescales over which any new aircraft are likely to be needed are as much as six years apart.

The performance requirements of the aircraft involved are also exceptionally diverse, ranging from vertical take-off to very high speed (perhaps even supersonic), with heavy weapons loads, and substantial "electronic counter-measures" equipment to combat the enemy's own defensive electronic systems.

The aim hitherto has been to find an aeroplane that will satisfy everybody, whilst remaining combat-capable well into the next century.

Until recently, in the informal discussions between the Air Staffs and aerospace industries of the three countries, it had proved virtually impossible to achieve a common requirement.

But, at the same time, everyone had agreed that some common programme was desirable, because of the heavy costs involved in trying to develop alone a new military aircraft programme.

It was at that point that the Defence Ministers of the three countries met in Hamburg last

week to review the progress made in trying to get a new tactical combat aircraft under way.

They recognised the difficulties that had been encountered, but agreed that it was imperative that they should try to go ahead to seek a collaborative solution to the problem.

A breakthrough in the difficulty now appears to have been achieved, however, by the UK taking the unilateral decision to divide its own requirement into two concepts.

Instead of trying to force a joint Jaguar-Harrier replacement, it has now been decided to develop two separate aircraft. One will be a tactical combat aircraft, developed with Western Europe, to replace the Jaguar, and the second an advanced Harrier, either developed alone or in concert with the U.S. (where the Harrier is generating substantial interest in the U.S. Navy, as well as in the U.S. Marine Corps which already uses over 100 of the aircraft).

This solution simplifies the situation for Britain, although it does add to the long-term development costs of the RAF's re-equipment programme.

First, it frees the European tactical combat aircraft discussions from the need to try to fit in vertical take-off (VTOL) or short take-off and vertical landing (STOVL). It makes the evolution of a new aircraft technically much simpler, thereby improving the chances of winning agreement.

Secondly, it gives Britain a chance to press on with the

development of the Harrier for many years ahead, either alone with what is called the Mark 5 "Big Wing" Harrier, with improved battlefield performance, or with the U.S. aerospace industry on the Advanced Harrier, the AV-8B, now under development by McDonnell Douglas.

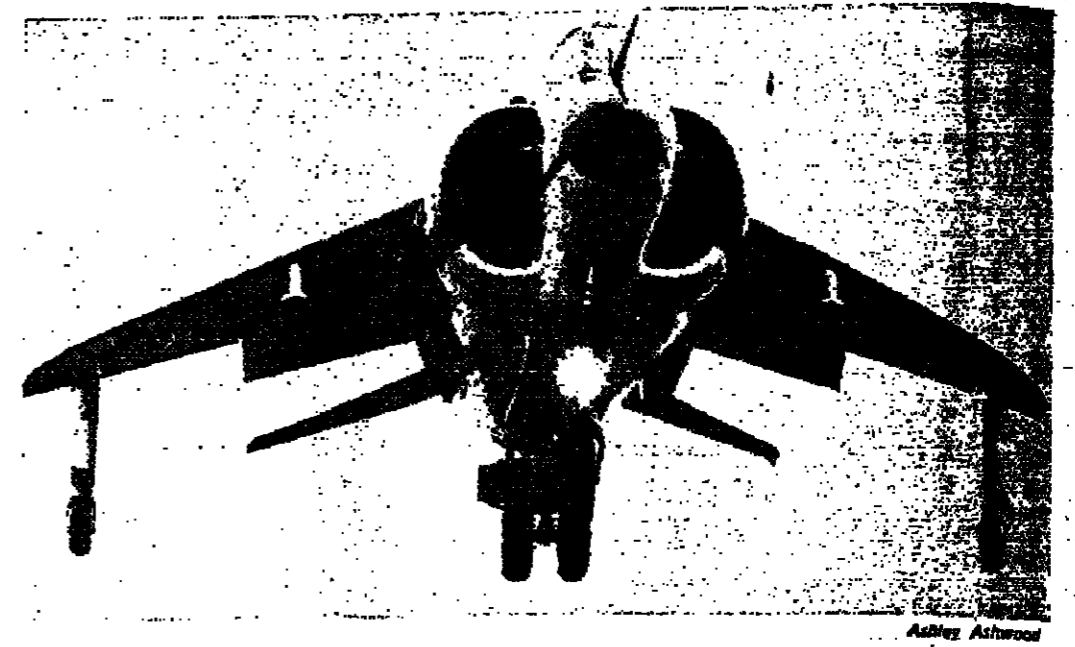
Either Harrier plan would be suitable for the RAF, and both options are still wide open, with discussions under way and a decision likely some time in 1980.

There is no substance in reports that it has become an "either . . . or" situation between the Harrier and Jaguar replacement developments. Both aircraft are needed, and so far as is possible, the UK's intention is to develop both.

But this will cost money, and this is why the UK is pressing especially for international collaboration on the tactical combat aircraft to replace the Jaguar. There seems little doubt that the British and West German aerospace industries, which are already closely collaborating on the Tornado combat aircraft programme, could evolve a common specification that could take account of their differing timescales and technical requirements.

The biggest problem is likely to be how far the French, with their own heavy commitments on the Mirage 2000 and 4000, will be prepared either to revise those programmes, or start an additional one to meet an international tactical combat aircraft requirement.

Until now the French aero-



The Harrier—a possibility of further development in the years ahead.

space industry, supported by the French Government, has preferred to develop most of its aircraft alone—the Mirage 2000 and 4000 are purely French concepts and developments, and France has remained firmly outside the Anglo-West German-Italian Tornado programme.

France is also militarily outside NATO, although this has not been a problem for earlier international aircraft and missile projects, such as the Anglo-French helicopters, the Franco-German Alpha-Jet trainer and the Euromissile development programmes. Nor has it been a problem in the recent tripartite Anglo-German-French Memorandum of Understanding to develop a new anti-tank guided weapon to replace the French Milan and Britain's Swingfire.

The big question to be answered during the next six months by the military aircraft manufacturers of the three countries—British Aerospace, Messerschmitt-Bölkow-Blöhm of West Germany and Dassault-Breguet of France—is whether they can find a common

approach to the tactical combat aircraft problem, which they can translate into a practical design (or designs), on which they can work together, sharing the work and costs involved in research, development and production, to the satisfaction of their Governments.

This is the task that the companies were set by the Defence Ministers in Hamburg. The six months' target they were set is not a firm one, but the Defence Ministers want to see some results by around next spring or early summer.

It is possible that the aerospace industries will fall in their task. They may not be able to agree on either a common specification which might require one or the other abandoning some long-cherished beliefs about future military aircraft development. Nor may they be able to reach any understanding on work-sharing or cost-sharing.

In such circumstances, there are other, less attractive, options available. One is for a bilateral, instead of a trilateral, European programme. The U.S. aero-

space industry could also be invited to participate, under NATO auspices. At present, the U.S. has tended to try to sell to Europe its own combat aircraft, such as the General Dynamics F-16, and have parts of that built under licence in Europe, rather than become involved with Europe in the design from scratch of a common new aircraft.

But if at the end of six months, a European programme does appear to be possible, the next step in 1980 will be to establish a firm "feasibility study", refining the work already done, leading to the more advanced phase of "project definition" in 1981, and perhaps a formal project go-ahead in 1982.

Such a time-scale will be imperative, if the original notion of an in-service date of late 1980s-early 1990s can be met. The longer it takes to get the new tactical combat aircraft programme rolling, the more complex it will become because of the continually advancing state of military aircraft development, and in turn therefore more expensive.

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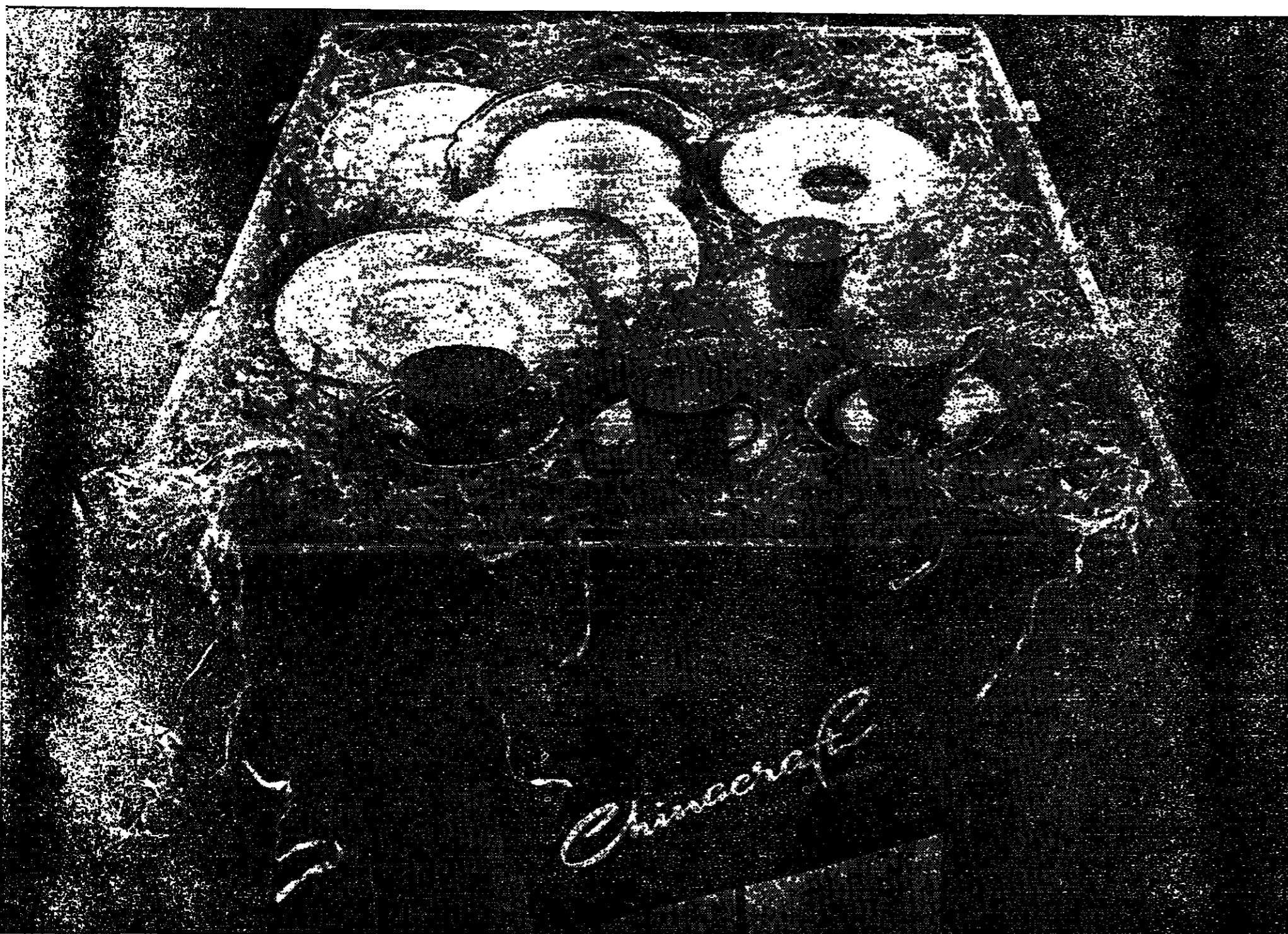
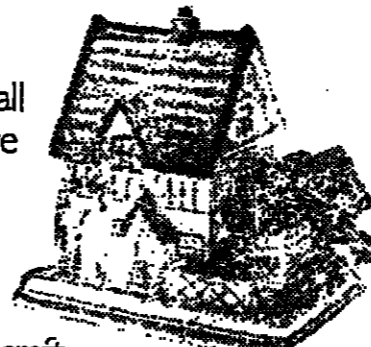
Gerald Lipton of Chinacraft with Eddie Frith of Norwich Union.

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	Year to 31.3.79	Year to 31.3.78
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Earnings per Share	14.3p.	12.0p.

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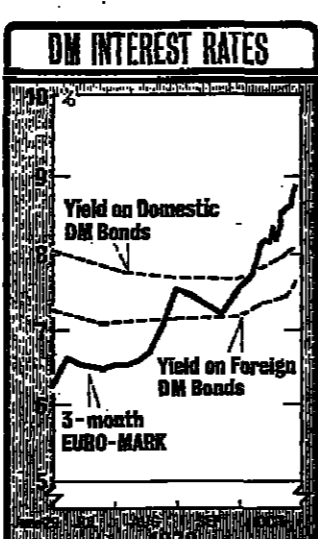


INTERNATIONAL CAPITAL MARKETS

Faint hopes for dollar sector

A NUMBER of factors left some bond houses wondering last Friday, whether the worst might be behind them and whether the investor's strike might be ending. In the dollar sector it has virtually frozen all new issues...

worth of Carter bonds would be floated in the West German Capital market—DM 2bn of which are expected early next month—was no help to a very disturbed D-Mark bond market.



The high denominations of these notes—\$500,000 rather than the traditional \$1,000,000 suggest, along with its very fine terms, that it is closer to a syndicated loan than a market-able security.

the investor a return of 4.87 per cent, the highest for a quality name seen in a long time. Straight dollar bonds shed about two points last week despite the Friday rally.

Table with columns: Borrowers, Amount, Maturity, Av. life, Coupon, Price, Lead manager, Offer yield. Lists various international bond issues like U.S. DOLLARS, FRENCH FRANCS, SWISS FRANCS, etc.

U.S. BONDS BY IAN HARGREAVES

A temporary stability

MANUFACTURERS HANOVER Trust, the fourth largest bank in the U.S., was last advised to refrain from admitting its blame for the Federal Reserve Board's dramatic midweek reduction of money supply growth estimates.

until late on Friday afternoon. On Thursday, when the Fed first told the markets of its \$3.7bn error, some securities traders seemed ready to lynch the clerk behind the computer which made the mistake.

Federal funds had stabilised at around 16 per cent and the cap in yields between short and long term securities narrowed by almost 50 basis points.

BOND TRADING

Murmurs of protest

THE SECONDARY market in Euro-dollar bonds is still shell-shocked from the worst three-week period in its history, after a price falls of around 10 per cent across the board in the wake of the tough Volcker monetary policy in the U.S.

BY JOHN EVANS

EURO-STERLING

Goldman Sachs is also regarded as having made "good" markets to its institutional clientele. Some other market participants believe it unfair to single out specific banks for their trading form, and claim that, with exceptions, the "bulk" of established market-makers were prepared to take on bonds even when the market was plunging.

BY NICHOLAS COLCHESTER

Coupons are the key

THESE IT still such a thing as Euro-Sterling bond (ESB), even though Exchange Control has vanished, but merchant bankers are unsure as to what its future role will be. An ESB is a bond issue for a domestic or foreign borrower, underwritten by an international syndicate.

BY NICHOLAS COLCHESTER

Coupons are the key

give a depth to the ESB primary and secondary markets which it has sadly lacked till now. But it begs the question whether the Inland Revenue will allow British investors the delights of gross dividends, bearer shares and coupon-clipping charter flights to Luxembourg.

FT INTERNATIONAL BOND SERVICE

Large table with multiple columns: U.S. DOLLAR STRAIGHTS, YEN STRAIGHTS, EURO-STERLING, BONDTRADE INDEX AND YIELD, EURO-BOND TURNOVER, STRAIGHT BONDS, FLOATING RATE NOTES, CONVERTIBLE, etc. Includes bid/offer prices and yields.

Advertisement for NSK NIPPON SEIKO K.K. US \$30,000,000 7% per cent. Convertible Bonds 1994. Lists various international banks and financial institutions.

UK NEWS

Soft drink sales growth 'will slow'

BY DAVID CHURCHILL, CONSUMER AFFAIRS CORRESPONDENT

A SLOW DOWN in growth in the UK soft drinks industry...

The report, which includes a survey of 124 companies in the industry...

The main reasons for this slow down in the short-term are the prospects for a general economic recession...

Carbonated drinks account for more than four-fifths of the soft drinks market in terms of value...

The Jordans report suggests a volume growth for carbonated drinks of about 5 per cent this year...

The report says that soft drinks used as "mixers" with spirits are selling well...

But Jordans point out that the impact of the weather can have a considerable effect on demand...

F.T. GROCERY PRICES INDEX

Mild weather keeps down fruit and vegetable prices

BY DAVID CHURCHILL, CONSUMER AFFAIRS CORRESPONDENT

THE FINANCIAL TIMES Grocery Prices Index rose only marginally during October...

The October index stood at 114.95, compared with 114.17 in September.

The continuing stability in the overall cost of the FT shopping basket is largely due to the lower prices for fruit and vegetables throughout the summer...

However, there were signs in the October index that packaged grocery prices were beginning to creep up again...

The cost of frozen foods included in the shopping basket, for example, went up from £207.43 to £208.60.

With the return of independent television, the major supermarket multiples are now embarking on a renewed promotional campaign...

FINANCIAL TIMES SHOPPING BASKET

Table with columns: Item, Oct. £, Sept. £. Includes Dairy produce, Sugar, tea, coffee, soft drinks, Bread, flour and cereals, etc.

Index for October: 114.95. 1978: March 100; April 101.77; May 103.11; June 104.18; July 102.41; August 101.89; September 101.90; October 101.77; November 103.67; December 105.10.

1979: January 108.54; February 108.45; March 109.12; April 110.88; May 112.59; June 114.02; July 114.79; August 114.16; September 114.17; October 114.95.

For example, decided to use the £1m "saved" from its television advertising budget to reduce prices on its non-food lines...

This is also one of the conclusions of stockbrokers Phillips and Drew in their latest retailing review. The brokers argue against a new food price war...

In the fresh fruit and vegetable section of the shopping basket—which cost £198.33 this month compared with £204.19 last month—tomatoes proved the exception with all round price rises.

Apples, especially, were generally lower in price because of the surge of French Golden Delicious, sweeping the UK market.

The survey thus gives an indication of the trend in grocery prices. The FT grocery price index is copyright and may not be reproduced or used in any way without consent.

The survey thus gives an indication of the trend in grocery prices. The FT grocery price index is copyright and may not be reproduced or used in any way without consent.

Retail recovery forecast

BY OUR CONSUMER AFFAIRS CORRESPONDENT

A RECOVERY in consumer demand in the final quarter of the year is forecast in the latest review of the retail industry by stockbrokers Phillips and Drew.

But this recovery could be followed by a sharp decline in demand after Christmas, the brokers suggest although they expect a slight recovery later in the year.

It is suggested that while this month's tax rebates may not have provided much real disposable income, the rebates have helped stimulate consumer demand.

Significantly, the major credit card companies are extending the credit limits available to card holders who are good risks to enable any pre-Christmas spending spree to be financed on credit.

Phillips and Drew suggest that all sectors of the trade are likely to share in the pre-Christmas boost in demand, with the non-food and consumer durable sectors expected to fare best.

But in the first quarter of 1980, the brokers predict that the level of trade will fall sharply.

The British Soft Drinks Industry, from Jordans Surveys, 47, Brunswick Place, London, N1, price £65.

Monopoly and merger policies will be strengthened

BY OUR CONSUMER AFFAIRS CORRESPONDENT

THE GOVERNMENT intends to press ahead with legislation to strengthen its policies on monopolies and mergers within the overall framework of increased industrial competition.

This was made clear by Mrs. Sally Oppenheim, Minister for Consumer Affairs, in a speech to the annual meeting of the Consumers' Association on Saturday.

Mrs. Oppenheim said that the Government's Competition Bill, now going through Parliament, "will be complemented by a further measure dealing with the more complex area of monopolies and mergers policy."

Although Mrs. Oppenheim did not list what proposals were intended, it seems likely that one of the issues to be determined on monopoly policy is whether the definition should be broadened to include oligopoly market structures.

On mergers, the key issue is whether the policy should be shifted towards a slightly more hostile approach, implying more references to the Monopolies Commission and a more critical scrutiny by the commission itself.

Early legislation, however, is not expected since the whole subject of monopoly and merger policy is being reviewed by an internal Department of Trade committee.

Mrs. Oppenheim said at the Consumers' Association meeting that "by emphasising the importance of competition and choice both in our legislative programme and in our general attitude, we are, I believe, significantly reinforcing the power base of consumers."

Mrs. Oppenheim's theme at the meeting was for a "tighter, tougher, leaner, and more effective brand of consumerism to prevail in the UK."

BUSINESSMAN'S DIARY UK TRADE FAIRS AND EXHIBITIONS

Table listing trade fairs and exhibitions with columns: Date, Title, Venue.

OVERSEAS TRADE FAIRS AND EXHIBITIONS

Table listing overseas trade fairs and exhibitions with columns: Date, Title, Venue.

BUSINESS AND MANAGEMENT CONFERENCES

Table listing business and management conferences with columns: Date, Title, Venue.

The week in Parliament

TODAY COMMONS—Debate on the Royal Commission on Gambling. Motions on EEC documents on oil purchases, energy and coal. TOMORROW COMMONS—European Communities (Greek Accession) Bill, second reading. Opposed private business will be taken at 7 pm. Motion on the Ministry of Overseas Development (Dis-solution) Order. LORDS—Motions to approve Legal Aid (Financial Conditions) (No. 2) Regulations 1979, and Legal Advice and Assistance (Financial Conditions) (No. 3) Regulations 1979. Gaming (Amendment) Bill, committee stage. Criminal Injuries Compensation Bill, report stage. Motions to approve Fruiting Plum Tree (Planting Grants) Scheme 1979, Plum Material and Clearance Grants Scheme 1979, and European Communities Secretary to the Treasury (Definition of Treaties) (International Wheat Agreement) Accounts Committee. Subject: Department of Energy. Witnesses: Offshore Supplies Interest Relief. (Room 16, 4 pm). THURSDAY COMMONS—Shipbuilding Bill, second reading. Motion on the EEC (Definition of Treaties) (International Wheat Agreement) Order. LORDS—Law Reform (Miscellaneous Provisions) (Scotland) Bill, third reading. Insurance Companies Bill, second reading. Motions to approve Tax, Consumer Credit and Judiciary (Northern Ireland) (Consequential Amendment) Order 1979; Administration of Estates (Northern Ireland) Order 1979; Industrial Assurance (Northern Ireland) Order 1979 and Statutory Rules (Northern Ireland) Order 1979. Debate on possibility of establishing a locally elected Administrative Assembly in Northern Ireland. FRIDAY COMMONS—Debate on London.

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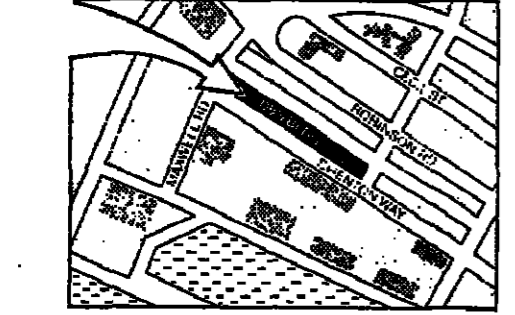
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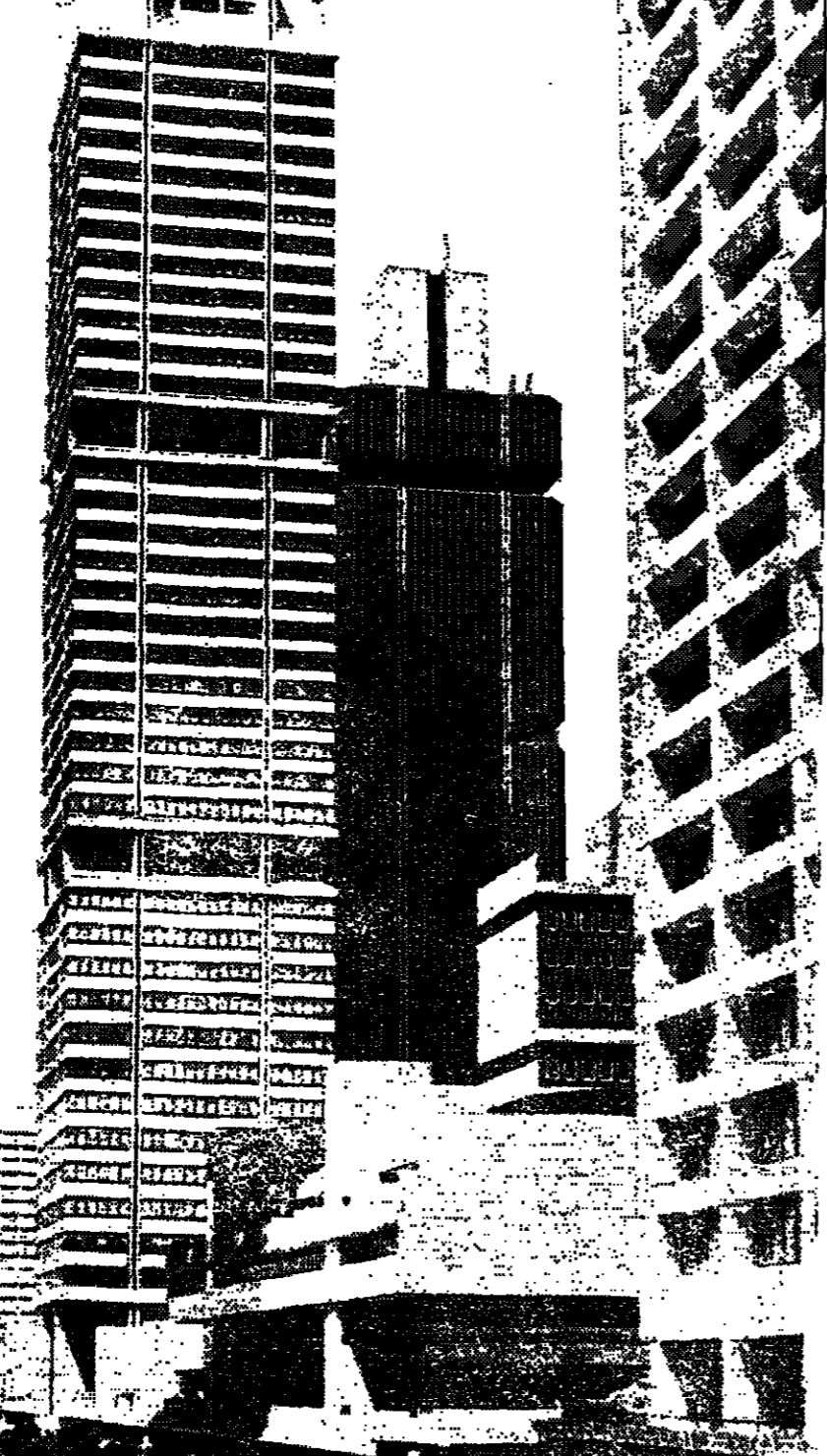
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مكاتبنا الجديدة

# FINANCIAL TIMES SURVEY

Monday October 29 1979

## South Florida

The region's population and business life are growing fast. More big U.S. financial and manufacturing companies are moving in and there is a steadily-increasing Hispanic influence as South Florida's proximity to Latin America becomes increasingly useful to tourism and commerce. Social challenges are developing from these shifts and these will have to be met.

### Unique role for Miami

By Stewart Fleming

SOUTHERN FLORIDA has long enjoyed an image so divorced from the day-to-day experience of most Americans that sometimes it has seemed to be hardly part of the United States at all. Since it is physically isolated from the rest of the country, part of a Confederate State but not committed to the values of the old South, and dependent for so long on an industry—tourism—which actively cultivates an exotic image, southern Florida's seeming separation from Main Street U.S.A. is hardly surprising.

Today, however, the region seems poised between forces pulling in opposite directions. On the one hand the growing involvement of large U.S. financial and manufacturing companies is pulling it further towards the mainstream of American life. But, particularly in Dade County and Miami itself, growing Latin American and Hispanic influence is giving that part of the region a heterogeneous character.

As a whole Southern Florida, with a population of about 3.5m, is one of the fastest-growing population centres in the U.S. Its rapid expansion helps to explain why the State of Florida as a whole, with a population of 8m, has become the eighth-largest state, and the second fastest growing.

But perhaps the most striking development in the region, and a key element in the dramatic economic recovery of the past four years, has been the increasing impact on the local economy of the half a million Cubans who fled from Cuba after Fidel Castro's revolution.

They have been a catalyst in the transformation of Miami from a dying city to a thriving one, and a city which is becoming virtually bilingual. But that transformation has been accomplished in large part because of Miami's attractions as both a business and holiday centre for millions of Latin Americans from places as far apart as Argentina and Ecuador. Miami's growing role as a centre for trade and commerce with Latin America, and its rising Hispanic population are promising to turn it into a unique American city. In November it probably will become the first large U.S. city to have a municipal government dominated by Hispanics but in addition it is becoming a city which increasingly is looking abroad and not to the vast American hinterland, for its continued prosperity.

But what is true of Miami is less true of the rest of the region. Hispanic political influence in Dade County (population 1.5m) is negligible—economic influence is much greater. And in Broward County (population 1m) and Palm Beach County (population 500,000) Hispanic influence is almost imperceptible.

On the contrary, there is growing evidence of the diversification of these local economies into manufacturing industry, reflecting a successful effort to begin to attract facilities of major U.S. corporations such as International Business Machines, Motorola and Harris Corporation.

If the effort which all three counties are making to broaden their economic base by adding manufacturing jobs proceeds successfully then it seems likely that the region as a whole will come to share more of the characteristics of other American conurbations with the important reservation that tourism and construction are destined to play a leading role in the economy for many years to come.

For the Miami area the problems were accentuated by the continued decline of tourism. Large sections of Miami Beach were being swept into the ocean and rival centres, including Palm Beach and Walt Disney World at Orlando, were profiting from Miami's misfortune.

The dramatic recovery of the regional economy since then, to a point where unemployment in both Dade and Broward counties is running below the national average, can be traced to the interaction of a wide range of factors. One was the growing political and business commitment to do something about the lack of balance in the economy, and in particular to encourage the development of manufacturing and commerce.

In 1977 the Florida legislature passed a new law to encourage the establishment of foreign banks in the state, a move which has been successful as the region's importance as a financial centre for Latin America has increased. The state Governors, first Governor Reubin Askew and this year Governor Bob Graham, have committed themselves politically

to encouraging both the growth and the influx of business. Governor Graham talks today of the "urgency of diversifying the economy" and moves are afoot to provide further incentives to new business and to restructure the state tax system away from an excessive reliance on property taxes.

From a business point of view the State already has a number of advantages, including laws which inhibit the expansion of trade unions, relatively low business taxes and the absence of a State income tax.

With the advent of air conditioning in the post-war years the hot and humid climate of the summer has ceased to be the obstacle it once was. On the contrary, the lifestyle of the region is now cited as one of the factors which encourages key executives to accept relocation from snow-belt states such as New York to south Florida.

Mr. John Smolko, executive director of Broward County Industrial Board, claims that the county has overtaken Boston as a centre for the location of new electronics plant and is now the third most popular centre after Silicon Valley in California and Phoenix, Arizona.

But he highlights one of the area's main problems for future development as inadequate college education facilities, particularly in the technical and engineering fields. The region's growing importance as a location for manufac-

turing industry is an important element in the economic recovery. But it is not the most dynamic element in the overall picture—manufacturing employment still represents less than 14 per cent of the civilian labour force in Dade County.

The most striking developments have related to the region's growing role in international trade commerce and tourism with Latin American countries, a role which has included an increasing volume of direct foreign investment from these countries.

The factors which have contributed to this development include the obvious ones of proximity and good communications, and the growing wealth of some of these nations, Venezuela in particular. But of crucial importance has been the presence in Miami of the Hispanic and Cuban population,

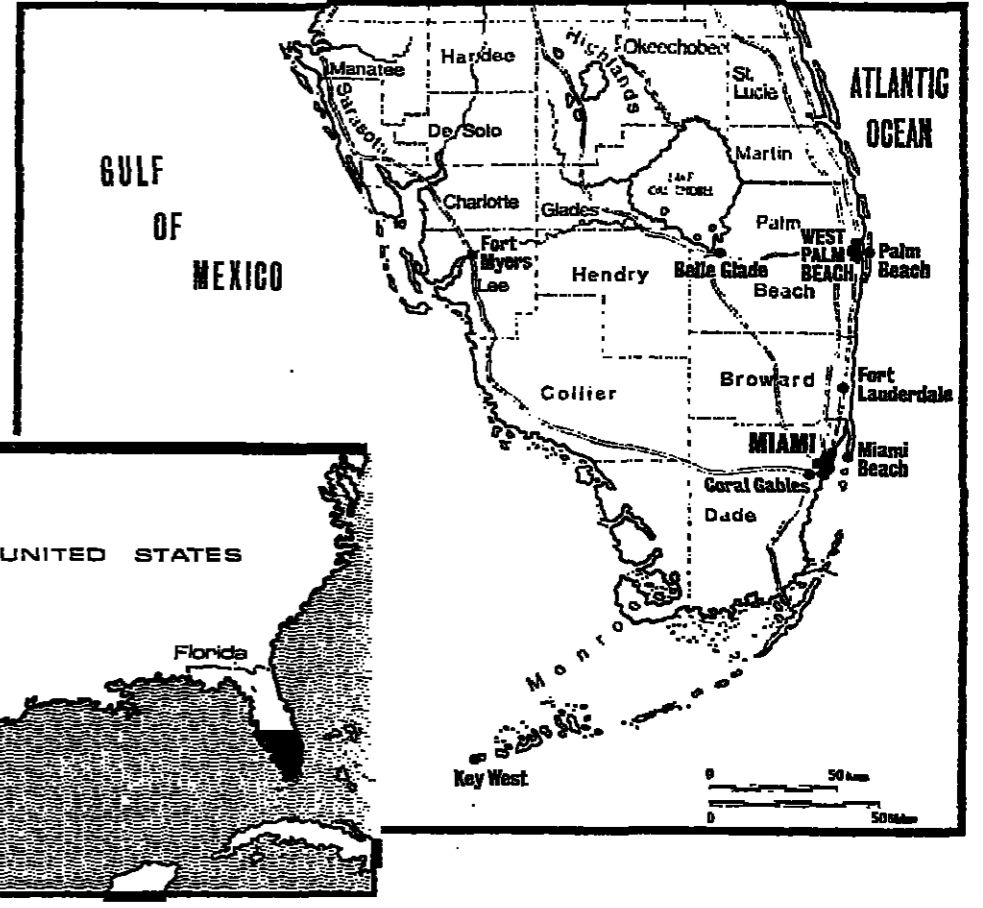
for this has lent the region a character, including a growing bilingualism, which has made it attractive to Latin American tourists.

Along with tourism has come trade. The result has been a threefold increase in the number of small businesses being formed each year and, according to Prof. Jan Luytjes of Florida International University, a rebirth of entrepreneurship in the area. Hispanics, particularly the Cubans, have been active opening retail businesses in downtown Miami to service the 2m or so Latin Americans visiting the region each year and opening import-export business.

In addition, however, the Latin American visitors themselves have put increasing amounts of money into the local economy. At least some of this investment is thought to be flight capital seeking the security and stability of the U.S. Much of it has gone into property investment but trade-related businesses are also popular. In some cases wealthy Latins are said to have moved their families, and even their business headquarters to Miami.

As a result of these developments Miami itself has been transformed. The rundown city centre is now thriving with property development projects in the city alone totalling \$1.8bn and developments in Dade County estimated at more than \$6bn.

The transformation has not been without social strains however. Some older inhabitants of the area, who resent the growing importance of Hispanic culture, are said to be leaving. The Black population has not shared fully in the economic prosperity



### Enthusiasm

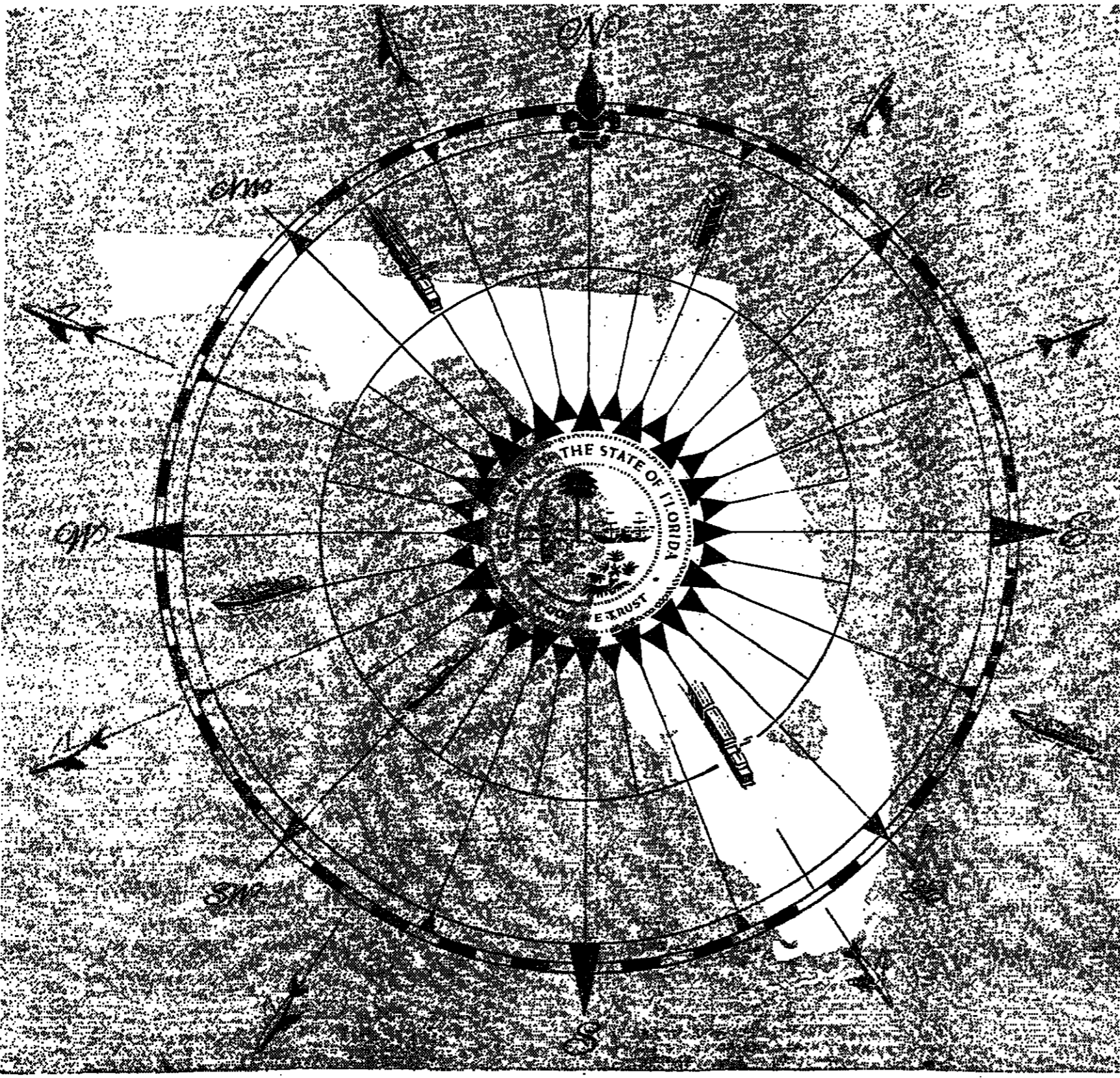
### Lifestyle

### Crucial

### Transformed

CONTINUED ON NEXT PAGE

# FLORIDA-The place to be for business



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# FLORIDA

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SOUTH FLORIDA II

Investment pours in from abroad

JUST HOW much money is pouring into the South Florida economy from abroad nobody knows. But it is clear that the region is sharing, and probably to a disproportionate degree, in the wave of direct foreign investment into the U.S. which has become a feature of the economy in the past four years.

According to some local real estate executives, in the State as a whole as much as \$400m a year could be finding its way into various kinds of property investment, ranging from the purchase of apartments and homes to participation in the construction of commercial properties.

Symbolic of this trend was the construction of Miami's tallest office block, One Biscayne Tower, which was financed initially by Venezuelans who were caught in the property market collapse in 1975. The building was sold earlier this year to a Saudi businessman.

In a study of foreign direct investment in Florida, Ms. Myra Wilkins of Florida International University estimates that there was at least \$1bn. of direct foreign investment in Florida as of December 1976 but adds that she is convinced that this figure is low.

It would be a mistake to assume that real estate investment from Latin America is the only form of foreign direct investment. In a section on the banking industry Ms. Wilkins says: "Spanish, Venezuelan, Swiss, Colombian and Panamanian individuals as direct owners of nine Florida banks (primarily located in South Florida) controlling assets of several hundred million dollars."

Since 1972 foreign companies have been prohibited from buying Florida banks, but individuals can make such investments. The Royal Trust Company of Canada, however, has been building up a banking network in the State since 1970 and by mid-1978 controlled eight Florida banks.

Attracting manufacturing industry from abroad is one of the objectives being pursued by both political and local leaders in the State. This policy emulates other Sunbelt states, which like Florida, feel that they have certain natural advantages such as pools of low-cost labour, low levels of trade union organisation and nearness to markets which will make them attractive to foreign investors.

Advantage Certainly in terms of supplying Latin American markets, South Florida has an obvious advantage as an assembly base for manufacturing. Like many other regions it finds light industry most attractive so the growing electronics and medical instrument sector in the region is seen as a potentially valuable manufacturing base.

But it is widely accepted that a lack of indigenous skilled labour and inadequate training facilities will make it much harder to attract foreign investors than to persuade U.S. companies to open plants in the region.

Significantly, one of the largest foreign manufacturing investments, the purchase by Racal of the UK of Milgo Electronics, involved the acquisition of a going U.S. concern.

There are hopes that Rolls-Royce will commit itself to an aero-engine facility at Miami Airport. This would manufacture parts for the RB211 jet engine—the parts to be sent to the UK for assembly. A final decision is thought to be imminent.

Siemens, the big West German electrical group, already has a research and development facility at Boca Raton in southern Florida and, Stewart Fleming

Unique role

CONTINUED FROM PREVIOUS PAGE

(Black unemployment is twice as high as the local average) and may have been disadvantaged in some respects.

There has been an explosion of drug trafficking and accompanying gang warfare. There is no doubt that drug profits are a force behind the economic boom.

Accommodating to the social changes stemming from the rapid change which has taken place in the region in the past four years is clearly going to provide continuing challenges. But the most immediate challenge is likely to come from the deteriorating world economic situation and the weakening of the U.S. economy.

Record U.S. interest rates and tightening credit conditions seem certain to crimp these sectors of the economy. Few anticipate that the damage will be anything like as severe as in 1974-75. The lenders and developers have been much more cautious in their financings and plans. But it is hard to imagine that some of the projects will not now be postponed or abandoned.

Mr. Ray LaCombe, economist at First Federal Savings and Loan Association of Miami, has already noted that as of mid-year "rising prices, high interest rates and shortfalls of lendable funds" have already resulted in South Florida's economy losing much of its upward thrust.

Impact But it is not just the performance of the U.S. economy which is important for South Florida. The impact of rising oil prices and slowing world growth and trade on South American economies will also be important.

In the past four years the region's trade with Latin America and the Caribbean has more than doubled to about \$6.5bn of imports and exports in 1978. Prof. Luytjes has already warned of the over-dependence of the region on trade with Venezuela, and the lack of a significant export trade with Brazil.

Any slowing in the growth of the region's Latin American trade will clearly affect the banks and export import houses which have thrived as trade has expanded. It would be reasonable, too, to expect some slowing in the rate of growth of Latin American tourism although Miami airport is expecting foreign traffic to show more consistent passenger growth than domestic U.S. traffic.

Perhaps the most difficult element to assess is the outlook for foreign investment, but clearly if funds continue to flow into the region at anything approaching the rate of the past few years this will be a benefit to the economy.

In the longer term, continued economic growth in the Latin American and Caribbean regions, coupled with the growing interest in South Florida as a location for U.S. business,

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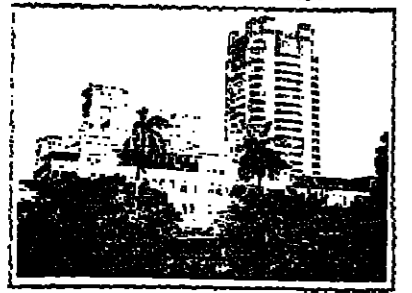
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SOUTH FLORIDA III

# Banks bid for world rating

FOUR YEARS AGO it would have been hard to imagine the City of Miami taking on the role of international financial centre. Today, with close to 40 foreign and U.S. banks operating in the City in international markets, it has already taken a giant stride in the direction of becoming a vital financial centre for Latin America.

The transformation is still sending shock-waves through the hitherto parochial, some would say complacent, Floridian banking industry. No doubt, to the surprise of some of its members, Florida's banks have discovered that, whatever the letter of the law, when international banks are granted permission to open a local office their activities inevitably impinge on the domestic operations of the indigenous banking companies.

Moreover, the drift of both Federal and Florida State legislation over the past two years strongly suggests that the competitive pressures on the regional Floridian banks are likely to intensify.

## Infancy

It would be easy to overplay the speed and extent to which Miami has developed into an international banking centre. In comparison with the truly international financial markets such as New York, London or Frankfurt, Miami is still in its infancy. There is no foreign exchange or money market in the City and the infrastructure which is required to support such an international banking centre is either non-existent or only just developing.

Mr. Alexander McW. Wolfe, President of the Banking Group within Southeast Banking Corporation, the state's largest bank, and himself an experienced international banker, suggests for example that the accountancy and legal expertise required to support international banking in its broadest sense is only just beginning to appear.

"I would not want to package say, a major ship construction financing here," he says.

In 1976 a team from Florida International University guided by Prof. Jan B. Lynyies did a study on the potential for Southern Florida to develop as an international financial centre. They questioned whether Miami could "develop into an international financial centre of the magnitude and variety of New York or London."

The study cited "the lack of a large manufacturing base in the community with its large capital generating characteristics" as just one of the factors which would inhibit the city's development as an international financial market. But it is already apparent, two years later, that the evolution of banking in Miami has begun to take the city a stage beyond the role of a book-keeping centre which also provides trade related financial services.

The region has always been a banking market in which the local financial institutions gathered more deposits than they could comfortably employ domestically. What has begun to happen is that instead of sending them to correspondent banks in New York or Chicago, local bankers are putting funds out in Latin America.

Mr. J. Stephen Hudson, chairman of Flagship National Bank of Miami, says that international lending has been the fastest growing part of his bank's loan portfolio—accounting now for about 25 per cent of its advances—with most of the funds out in Latin America.

He stresses the caution with which his bank is tackling this market—Florida's banks are well aware of the narrowness of international interest rate margins and the depth of competition. A high proportion of the advances he says are to Latin American banks.

Certainly the larger Florida banks seem to be well aware of the risks associated with international lending and the need to build up expertise before plunging in too boldly.

Although a dozen or so Florida banks are now engaging in international business, the forces which have tended to foster the creation of an international banking market in Miami have come from outside the state's traditional business establishment.

As Mr. William Bahlike who, with Mr. Ed Hoyt, has been responsible for building up Morgan Guaranty's operations in the city puts it, the development in part reflects the old-established trend of banks following the customers.

The first bank from outside Florida to set up an international banking office in the state under the terms of the Edge Act was Citizens and Southern National Bank of Georgia a decade ago. But it is only in the

past three years that a significant volume of international banking business has been conducted in the City.

At present 15 major U.S. banks ranging from Bank of America, through Citibank, Chase Manhattan and Morgan Guaranty have offices in the City with total liabilities and capital of just over \$1bn as at December 1978, up from just under \$930m in December 1974, according to figures prepared by the Atlanta Federal Reserve Bank.

It is over this four-year period that Miami has also seen

a remarkable increase in the numbers of Latin Americans visiting the city, making investments and opening bank accounts there.

How much Latin American money is now in Florida-based banks is a matter of conjecture. Mr. McWolfe says that his bank alone has some \$800m of Latin American deposits (one quarter of the bank's total deposits) in fully 43,000 individual accounts. Bankers generally suggest that perhaps \$2bn of Latin American and Caribbean money is currently on deposit.

As he puts it, the two principal elements which make up a market are in place: people and money. There are several explanations of why Miami has become such a magnet for Latin money. Local bankers talk of "junk money," funds which wealthy Latin Americans are shifting into the U.S. because of political uncertainties at home or simply to diversify their interests. Florida has no barriers to foreign investment, indeed it is actively encouraging it so the South Americans can put their funds into banks, start local busi-

nesses or buy property. This has certainly been one

Some South American companies are actually moving their headquarters out of their home countries to Miami and others are moving their families there, away from threats of kidnapping. The fact that Miami has a large, now indigenous, Spanish-speaking business community—comprising mainly Cuban immigrants—with whom Latin American businessmen feel at ease—has been another factor contributing to its growth as a financial centre, many would say the most important single element in the picture.

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THERE HAS never been any doubt about the role which transport has played in the development of the South Florida economy.

Excellent links with other regions of the U.S. and then overseas was a vital factor in the growth of tourism in the region. That is still true even though Miami itself is having to redefine the tourist market it is serving as the attractions of its beaches and hotels have waned and those of its rivals, along Florida's "Gold Coast" and elsewhere, have grown.

Today, as the region aims to broaden its economic base away from a too-heavy dependence on tourism and construction, the excellence of the region's air and sea communications are a key factor in its prospective development as a hub of Latin American commerce and trade.

At the centre of this transport network is Miami International Airport, one of the fastest-growing airports in the U.S. and already—astonishingly in view of its relatively underdeveloped hinterland—a leading U.S. airport for both passenger and cargo traffic.

It is significant as evidence of the growing importance of commerce in the region that the airport ranks higher as a cargo centre than for passengers; nevertheless, last year 16.5m passengers passed through Miami Airport, making it the ninth largest U.S. airport and the 11th largest in the world.

Projections for 1979 suggest that another year of 30 per cent passenger traffic growth is probable and that 20m people will use the airport. Mr. Richard Babl, head of its information services, says that the strongest growth is in international traffic, particularly with Latin American countries.

International business has occupied a steadily-growing proportion of the airport's activity over the past five years, increasing from 32 per cent to 37 per cent in terms of the number of passengers, and the proportion is expected to continue to increase. The expansion of international traffic is expected to be more stable than the growth of domestic U.S. traffic.

Seventy-two scheduled airlines offering 1,200 direct passenger flights a week to European and Latin American as well as major U.S. cities use the airport, which is now a leading international gateway into the U.S. The breakthrough to this role came a decade ago with the inauguration of the Miami-London route by British Airways and by National Airlines.

National is in the process of being acquired by Pan American in the U.S. trunk carrier headquartered in Miami, where it is the city's single largest employer. National's London route accounted for about 60 per cent of its total profits so there will be fierce competition for it

if, as seems likely, Pan American has to surrender it as part of the takeover. In the last two years the European links have been expanded further with National starting scheduled services to Paris, Amsterdam, Frankfurt and Madrid and Lufthansa this year opening services to Miami. The German connection has built traffic rapidly, with Lufthansa adding a fourth weekly DC-10 jet flight a week. There is growing German business interest in South Florida—Siemens has a large laboratory in the region—as well as increasing tourist traffic.

## Connection

But it is the Latin American and Caribbean connection which offers the greatest growth prospects. Some 29 foreign and 10 U.S. airlines already offer scheduled services from Miami Airport to these regions and Miami is far from being the only airport servicing South America. Fort Lauderdale in Broward County is another, while several smaller airports in the region offer facilities for a growing volume of small aircraft.

Mr. Babl says that there is already a shortage of seats and room for additional capacity in the near future. Introducing services will be complicated by the need to negotiate bi-lateral agreements with the nations involved. Certainly the U.S.

airlines are believed to be anxious to broaden their schedules, with Eastern in particular seen as a trunk carrier keen to invade the South American business currently dominated by Pan American and Braniff.

The international air traffic growth has been reinforced by the de-regulation of the U.S. airline industry last year. Regulatory actions to begin to ease controls on the airline industry were to reach 35 per cent there would be a threat of clogging ground and air controls, Mr. Babl suggests, and efforts are now under way to upgrade nearby airports to make them more attractive to light aircraft and so divert them from Miami.

In contrast to the air traffic, the passengers at the Port of Miami comprise mainly tourists off cruise ships. The port is man-made, constructed in the early 1960s on an island just off the city, and last year it handled one million cruise passengers. It lays claim to being the world's leading cruise port.

Increasingly, however, it sees the growth of cargo business as a key factor in its development. Although smaller than Port Everglades as a cargo port in terms of volume of freight, Miami still handled 2m tons of generally high-value cargo last year. Recent rapid growth is stretching capacity and a \$250m expansion programme is under way, including straightening

the 36ft. deep dredged entry channel. A looming problem, though, is inadequate communications with the mainland and central Miami. There is some question of whether the port's development as a cargo centre should be encouraged in view of the additional road traffic which will result. This is in turn part of a larger problem for there is little doubt that in view of the economic growth now anticipated, costly improvements in road transport communications will be needed in the whole region, something which the State authorities are conscious of.

An appreciation of the financial as well as the physical hurdles facing major road improvements lies behind Dade County's ambitious urban rapid transit development plans. If private car drivers can be persuaded, and pushed into abandoning their vehicles then a growing volume of commercial traffic can be more easily accommodated. Urban rapid transit has had a somewhat chequered history since the American motorist became wedded to his car, so Dade County's experiment will be followed closely by policymakers who hope that drivers will cut back on using their cars if good alternative public transport systems are provided.

# Transport system a major asset

has led to the acceleration of construction plans as a result of existing facilities approaching capacity. There has been growing concern too about the mounting volume of general aviation traffic, smaller and slower private planes, which now accounts for 20 per cent of aircraft volume.

The worry, of course, is safety, when large and small aircraft of radically different speeds are mixed. If the proportion were to reach 35 per cent there would be a threat of clogging ground and air controls, Mr. Babl suggests, and efforts are now under way to upgrade nearby airports to make them more attractive to light aircraft and so divert them from Miami.

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SOUTH FLORIDA IV

# Property boom is returning

IN JUNE of this year, as the tropical sun beat down on Miami, 500 anxious property investors queued for two hours to spend anywhere from \$70,000 to \$650,000 for new apartments which have yet to be built.

The queue is just one example of the property boom which is again sweeping southern Florida, and particularly Miami, only four years after the region experienced one of the most spectacular property market collapses in recent U.S. economic history.

By some estimates that collapse left investors, developers and speculators—and of course the banks and insurance companies which financed them—holding well over \$1bn of property for which there was no ready market.

As the U.S. economy slipped swiftly into recession in 1974 developers who had built condominiums in the hope they would find buyers and offices on the off-chance that tenants would show up were caught in a fierce credit squeeze which dried up the market and left their financiers—especially property investment trusts and banks—scrambling for the only security they had—the properties themselves.

At one point in 1975 estate agents estimated that as many as 30,000 condominiums were standing empty in Florida, their owners looking for buyers. In the Miami metropolitan area alone employment in the construction industry almost halved from nearly 48,000 in 1973 to under 25,000 in 1975. The ripple effects of the collapse could be seen throughout the economy, with unemployment hitting 12.6 per cent compared with the national average of 8.5 per cent.

In some ways perhaps the recovery from that traumatic experience has been even more spectacular, if only because it was so unexpected. At the time it was feared it would take years for the unwanted properties to clear the market. Today the major banks claim to have cleared the worst of their property related losses from their books and are looking forward, albeit with some circumspection, to helping to finance the new boom.

That circumspection is, however, making other lenders more cautious in appraising the projects which are coming forward. They are, for example, asking developers to put up a more significant part of the finance and scrutinising prospective cash flows more closely. There are important differences between what is taking place today and the last boom; construction industry employment is still well below its 1974 peak; before the current cycle is over, the region will find itself having to cope with another period of overbuilding.

## Differences

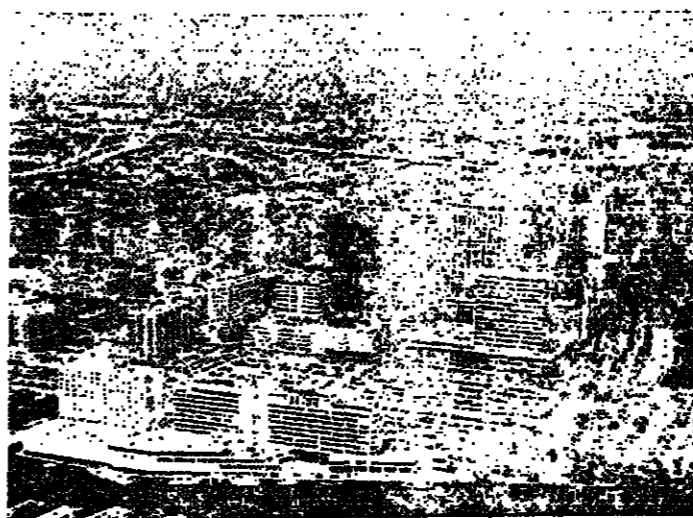
Perhaps the most striking differences between today's boom and the one that crumbled in 1974 is the prominent role which the re-development of downtown Miami itself is playing in the picture and the fact that foreign investors—from Latin America especially, but also from Canada, Europe and to a degree the Middle East—are a major influence.

At the beginning of the decade, as the Miami tourist industry found itself losing trade to rivals (partly, it has to be said, because the waves were sweeping away its main attraction—the beach) downtown Miami seemed to be destined for the urban blight which has overtaken so many of the nation's largest cities. Even today one does not have to peer too hard at the core of the city to see that, without a few recent coats of paint, it would present a pretty run-down picture.

But unless there is a very dramatic—and at this point unexpected—reversal in the fortunes of Southern Florida the city of Miami will present a very different picture to the world in five years' time. One of the men who will have been responsible for the transformation will be Mr. Roy F. Kenzie, executive director of Miami's Downtown Development Authority.

Mr. Kenzie occupies a suite of offices in Miami's tallest office skyscraper, the 40-storey One Biscayne Tower, a building whose history alone provides insight into the current state of the South Florida property market, and for that matter, the economy as a whole. The tower, with close to 1m sq ft of office space, was built by "some Venezuelans who went bust," according to Mr. Kenzie. That was in the aftermath of the last property collapse. Two and a half years ago, he says, the tower was virtually empty, a white elephant. At one point it was on the market for \$32m. Today it is 96 per cent occupied, with rents fetching up to \$13 a sq ft. It was bought in May of this year by a Saudi Arabian businessman, Abdul Latif Jameel, for \$50m.

Several of the new tenants are either foreign banks or the Miami offices of the big money centre banks from New York,



Downtown Miami: likely to present a very different picture to the world

gold rush scramble under way, and equally certainly it is highly unlikely that all of the projects will be completed on time, and some perhaps not at all. But there is considerable method, much of it being superimposed by the Downtown Development Authority, in the plans.

There is, for example, an emphasis on parks and cultural facilities which might not be there but for a guiding hand in the background. Recognising that one of Miami's strengths is the tourist traffic, which comes through its airports and its docks, one of the objects of the development programme is to transform the city into an attractive and cosmopolitan centre which will encourage businessmen to stay an extra day and the cruise passengers to get off their ships for a couple of days and spend money.

The aim is to capitalise on, and reinforce, the factors which have led to the resurgence in the Miami area in the past four years. It is significant, for example, that some of the world's best known and most highly regarded architects are involved in many of the projects, men like Philip Johnson, L. M. Pei, Hugh Stubbins, John Portman and Pietro Belluschi. Their involvement spawned a "There's a genius at work for you" advertising campaign relating to the developments.

Behind it all lies a burgeoning civic pride. Undoubtedly that pride was born out of fear and greed rather than public service. There was already evidence of the business establishment giving up on downtown Miami when the 1974 recession sent a shock wave through the whole community and business and government came together in a serious and sustained effort to try to tackle the underlying economic problems. That alliance, plus the increase in foreign, especially Latin American, visitors, provided the germs from which the present boom has grown.

Another key factor was the decision by local, generally Cuban, businessmen to take space in run-down retail stores in downtown Miami, partly with an eye on the prospects for trade with the South American visitors.

Now Roy Kenzie can talk of the alliance between business and government which has created the Downtown Development Authority, or at least breathed life into it. But he adds that in Miami "unlike Minneapolis or Chicago and other older cities (facing urban renewal problems) the public service ethic in the business community is only just being learnt. It takes a while to foster the spirit of giving."

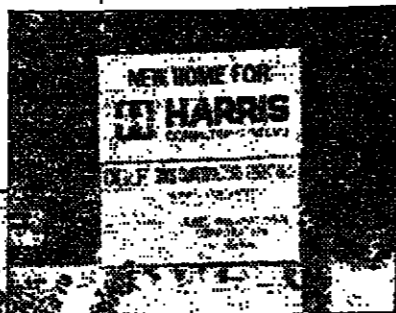
Stewart Fleming

## Projects

These are just two of the literally dozens of development projects in different stages of life. A downtown Government centre for the Miami Police headquarters and State Office building is under construction at a cost of \$250m. It will include a new county central library and an art and history museum. A \$50m World Trade Centre office tower 50 storeys high is due to start building next year. According to Mr. Kenzie 150,000 sq ft of its 450,000 sq ft of space is already let. New classrooms are planned for Miami Dade Community College which will be shared with Florida International University.

Several new shopping centres and bank headquarters are already under construction. Coming across this orgy of property development unexpectedly one might reasonably question its coherence. Certainly there is something of a

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مكتبة الأصيل

SOUTH FLORIDA V

# A stable base for trade

IN THE PAST four years South Florida's export trade has doubled as economic growth in the developing countries to the south has accelerated.

More significant perhaps has been the growing share of U.S. trade with Latin American and Caribbean countries (excluding Mexico) which South Florida has captured. It is this growth which illustrates the successful expansion of its commercial ties with these countries.

This in turn suggests that the region has begun to realise its potential for becoming an international trading centre, an entrepot linking Latin American countries with the vast markets of the U.S., Europe and the Far East while at the same time providing companies in these countries with a stable base close to South America from which to chart their own export strategies.

The bare statistics are impressive. Between 1974 and 1978 U.S. export trade to Latin America and the Caribbean rose from about \$2bn to about \$4.6bn and imports increased from \$910m to \$1.7bn. By 1978 almost one-third of U.S. exports to these countries went through southern Florida compared with only a fifth four years earlier.

This development of Dade, Broward and Palm Beach counties, but particularly Dade County in which the City of Miami is situated, owes much to geographical and historical precedent. However, the fact that the potential is being realised reflects in part the awareness of the local business community, particularly the Latin American and Cuban minorities, of the opportunities to be exploited.

Geographical proximity to Latin American markets is undoubtedly a key factor in southern Florida's development as potentially the major trading port in the region, perhaps at some point in the future comparable to Hong Kong in the East.

But South Florida also has a large Spanish-speaking minority who are able to deal comfortably with Latin businessmen and a group of American business and political leaders have come to recognise that international trade and commerce offer one of the most promising routes towards the much-needed diversification of the local economy away from its dependence on tourism and property development.

The recognition of the opportunities in international trade can be seen in the moves by both Dade and Broward counties to establish free trade zones. The first to open was the Port Everglades zone in Broward County run by the Port Everglades Authority which operates the main port in the region for handling bulk cargo. Then earlier this year the Miami Free Zone Corporation officially opened its operations, which is claimed to be the largest free zone in the world.

The concept of the free zone was introduced into the U.S. in 1934 with the passage of the Free Trade Zone Act. The objective of the zones is to stimulate employment and business relating to inter-

national trade, and so enhance the economic development of the communities in which they are located.

The idea has spread slowly in the U.S., however, which is not entirely surprising, given the relatively small part international trade has played in the U.S. economy overall and the distances from international markets of many of the major U.S. cities. Today only 32 free zones are in operation.

In essence the idea of the free zone is quite straightforward although companies which take advantage of the opportunities a free zone presents say that to get the full benefit a businessman needs the guidance of lawyers familiar with U.S. customs laws.

A free zone is an area which is considered for customs purposes to be outside the U.S. although it is physically located on the U.S. mainland. Thus goods shipped into the zone from abroad are free from liability for customs duties until they are released into the U.S. while those brought into the zone from overseas and then shipped on to foreign markets pay no duty at all.

## Duty

Within the zone there are few limits on what can be done with the goods. For example, companies can manufacture goods in a free zone using say, part-imported materials without paying duty on them. Goods can be stored indefinitely, exhibited or repacked.

Space in a free zone can be more expensive per square foot than the nearest equivalent, a bonded warehouse, but depending on the value of goods and the level of duties on them a free-zone can be much more attractive than a bonded warehouse.

One occupant of the Miami zone, GTE International, even uses the facility as a distribution centre for U.S.-manufactured goods going to Latin America, as well as goods brought in from the company's plant in Belgium. The company cites the greater operational efficiency it provides in handling the company's exports to Latin America to explain its decision. Among the factors which contribute to this efficiency is the

fact that, unlike a bonded warehouse, operations within the zone do not have to be regulated by customs officers, but can be carried on by company staff.

Mr. Lou Papadopoulos, who has over \$1m-worth of Chinese jade-stored in the Miami zone, points to the savings his company, China Canton Arts Corporation, can make on the cost of financing U.S. customs duties of as high as 70 per cent, by operating in the zone. His company, owned by his father whose business is headquartered in Chile, has the exclusive licence for importing jade from the People's Republic of China into Florida. He sees the Miami zone as a base not only for selling into the U.S., but also to other Latin American countries and Europe.

The proximity of the Miami zone with its daily flights to Latin American, European and Far Eastern countries as well as an expanding number of U.S. cities, is one attraction of the zone. But there are others. It is, for example, located in a country which is politically stable.

Ms. Myra Wilkins of Florida International University, in her book on foreign investment in Florida, says that the fact that occupants are not subject to political bribery or occupants of some other free zones is another factor in the Miami zone's favour. So is the availability of bi-lingual staff.

She adds, however, that tax levels in Florida and minimum wage requirements are less favourable than at the Panama free zone in Colon.

According to Mr. R. A. Suarez-Del Campo, assistant to the president of the Free Zone Corporation, about 90 per cent of the currently available space is now leased. The 73-acre site has 750,000 sq ft of leasable space and a third building is in the planning stage.

He expects that no more than 20 per cent of the business will be in the form of manufacturing and assembly operations, but the company is planning an even larger facility nearby aimed directly at the market for companies who want free zone production facilities of that type.

The existing facilities which represent an investment of

about \$50m and will employ 1,500 to 2,000, are expected to handle as much as \$2bn of cargo a year when the third building is completed, with about 70 per cent of this going out by air.

The licence for the Miami zone was obtained by the local Chamber of Commerce which put out the contract for owning and operating the project to bids. It is another indication of the role which Latin Americans are playing in South Florida that the best offer came not from an American but from a group apparently headed by a Colombian investor, Mr. Ivan Hoyos.

In contrast, the zone at Port Everglades, in Broward County, the port itself is the second largest petroleum-importing site in the U.S.—a public utility, in effect owned by the residents of Broward County and operated by the Port Everglades authority.

Currently it is smaller than the Miami zone with 140,000 sq ft of space although it is set on 82 acres of land. More than 80 per cent of the facility is rented, with tenants including an Italian tile manufacturer and a Hong Kong importer.

The Port Everglades zone also has ambitions to provide services for manufacturing and is currently negotiating with a German company for the establishment of a 50,000 sq ft satellite zone to be set up near the existing one in which the German company would establish a manufacturing plant with all the duty-free advantages of the free zone itself.

One of the attractions of both zones to customers handling high-value goods is security; indeed, one local manufacturer uses the Broward zone to store computer equipment simply because of the security of the site.

The Miami zone has a similar emphasis on security, partly because close control of inventory is essential from the viewpoint of the U.S. customs. Its doors to individual warehouses are computer-monitored, with the time at which they are opened recorded and signalled, and there is a computerised stock-control system.

Stewart Fleming

# The phenomenon of Coral Gables

IT WAS in June of 1977 that Mr. David Heenan, Dean of the College of Business Administration at the University of Hawaii, published an article in the Harvard Business Review entitled "Global Cities of Tomorrow."

He cited three cities whose development he suggested would lead them to emulate multinational corporations in the breadth of their international links because of the growing importance of multi-national companies to them, and the cities' active interest in fostering this development. The three cities he looked at most closely were Paris, Honolulu and Coral Gables.

A more unlikely global city than Coral Gables is hard to imagine. Indeed, by most standards it would hardly class as a city at all with its population of about 50,000 located in what looks to all intents and purposes to be a suburb of Miami. Moreover, there are those who argue that the "global cities" thesis with its emphasis on the growing tendency of giant companies to set up regional headquarters was to a degree exaggerated.

How important these regional

headquarters are depends on their powers within the organisation, and often their power of independent action is heavily circumscribed or limited to particular activities such as marketing or exporting.

Yet it has to be conceded that the development of Coral Gables is a fascinating phenomenon. In 1977 the city housed the Latin American headquarters of about 55 multinational corporations including Exxon, Gulf Oil, International Telephone and Telegraph and Dow Chemical. Today that figure has risen to close to 100. So although there have been some defections as companies (such as Gulf Oil and Coca Cola for example) have changed their structure to eliminate the need for such a Latin American headquarters in Florida, many others have taken the opposite decision.

The city has also been aiming to secure the location of the

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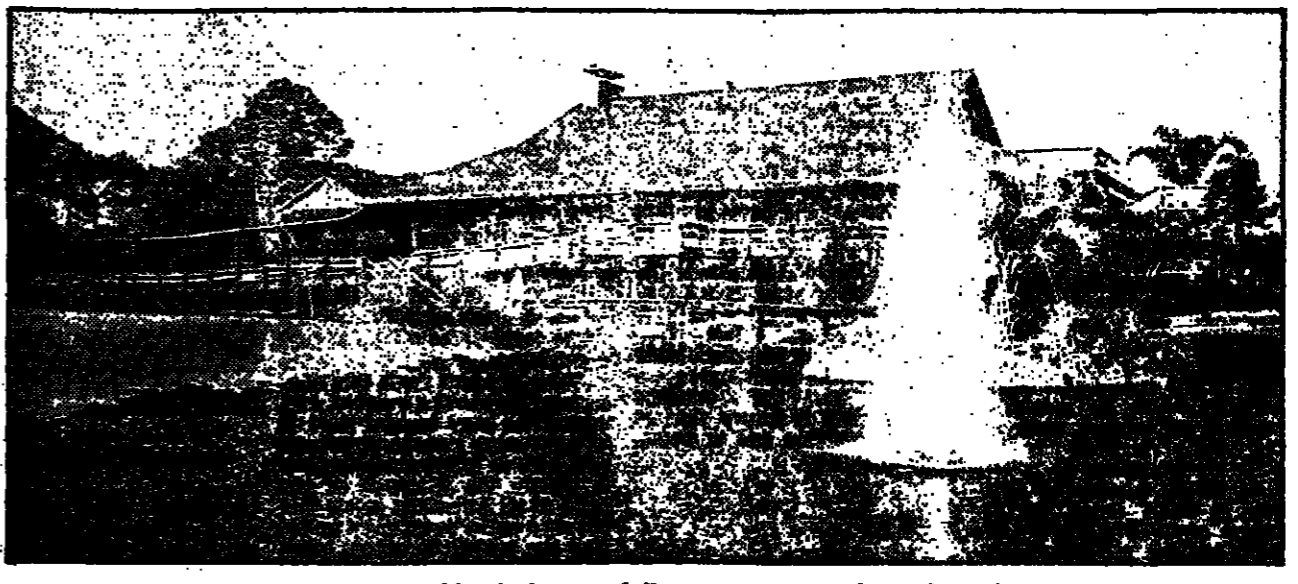
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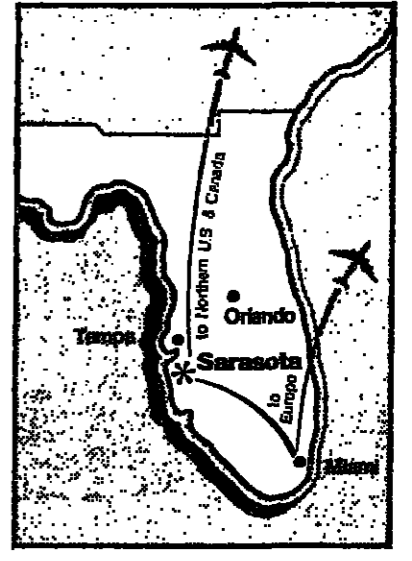
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## SOUTH FLORIDA VI

## The salad centre of the South

IT IS IMPOSSIBLE to look seriously at the economy of the State of Florida without paying very close attention to its agricultural industry. For Florida's agriculture is big by anyone's standards: it has for instance been estimated that of 2.7m jobs in the State, one quarter are agriculture dependent.

And from a farming standpoint it is South Florida that is the most fascinating, diverse, and in some respects bizarre. South of a line in the region of latitude 27degN lie 10 counties in the northern centre of this region is Lake Okeechobee and spilling down its coastal sides towards the southern tip of the State are tongues of depressive, sandy flatlands. Due south of the lake is swamp and reclaimed swamp.

On paper none of this sounds very exciting but the reclaimed swamplands of Palm Beach County are unlike any other agricultural area in the civilized world. It is a land and a landscape that make an indelible impression on anyone used to seeing their farming in a kinder environment.

It is worth examining this region in some detail for it reveals a compelling history of success against all the odds. Climatically the area has the dubious advantage that killing frosts are likely to occur no more frequently than one year in two while the mean annual temperature is over 73degF and the rainfall almost nowhere less than 55 inches per annum. The rainfall, moreover, is irregular and ever since the area was first settled, hurricanes indeed flooding has threatened both property and humanity.

Indeed, it was following the disastrous floods of 1947 that a massive water control programme was instituted and this, together with detailed land surveys resulted in the designation of the most important farming part of the region as the Everglades Agricultural Area. It was recognised from the outset, however, that its drained, highly organic soils would in time subside. Current estimates are that by the year 2000 87 per cent of the area will bear soil of less than one metre in thickness, unless the plans now being considered for water table management are put into effect. Outwardly so robust and unyielding therefore, the environment is actually one of extreme fragility with a future that at best is uncertain and at worst, is pretty bleak.

## Dival

None the less, at the present time, the proverbial hay is being made while the very real sun shines. The year 2000 is still a long way off and the reclaimed swamplands are the heart of Florida's winter vegetable industry. The Winter Vegetable Capital of the World is how the town of Belle Glade greets its visitors.

Certainly Florida is the major producer of American fresh

winter vegetables but it is closely rivalled by California and now also closely competed with by Mexico. It is possible to stand in fields in Palm Beach County and see nothing but celery to every horizon—"wall to wall salad" I heard it called. Palm Beach County, moreover, is the centre of production not only for celery but most other winter vegetables also, including snap beans, cabbage, sweet corn, eggplant, lettuce, peppers and squash. Only the massive tomato industry is concentrated more to the South in the Homestead region of Dade County.

The total value of the annual vegetable crop now approaches \$1,000m of which fresh tomatoes account for about a quarter. And where one may wonder does it all go? A very significant proportion goes to institutional outlets to satisfy the demands of the third of all American meals that are now eaten away from home. And the growth in recent years of these outlets is the primary reason why the Mexicans have made such remarkable inroads into the American fresh vegetable market; to the point indeed where their tomato exports to the United States now equal the total Florida production.

Despite this competition, tomato production looks healthy for it is probably the sector of the vegetable industry that has



"Wall-to-wall" celery growing on the black reclaimed soils of the Everglades Agricultural Area

responded most rapidly and most effectively to the various challenges to its efficiency. Through the use of synthetic mulches, plug-mix seeding, soil fumigation, container-grown transplants, green harvesting and ethylene ripening, the technology of production has advanced in a way that now permits the same total crop as ten years ago but from 30 per cent less land.

However, the South Florida vegetable industry does now face a threat from much closer

to home. In recent years Florida's acreage of sugar cane has exceeded 800,000 and it continues to rise and to eat into traditional vegetable-producing areas. In the year 1977-78, the total cash receipts from sugar cane were about \$215m which ranked it second only to oranges in the Florida crops league.

Not only is the land under cane increasing but the production is also becoming more efficient. During the peak cutting season around 10,000 workers are employed, of whom

a high proportion are brought in under contract from the Caribbean although this figure is likely to fall dramatically with the increase in mechanical harvesting of the crop.

The sugar cane industry nonetheless also highlights a problem of increasing worry to Florida agriculture as a whole: the provision of adequate capital and credit facilities. Already there is a marked trend towards more renting of farm land and it has been recognised officially that "full ownership of all productive resources by the farmer may not be feasible or practical in modern agriculture tomorrow's farmers may seldom be free of debt."

The problem faced by the financiers of agriculture will be increasingly to make loans to farmers assessed on estimates of their cash flow and general managerial ability rather than on their possession of real estate or other collateral. Sugar production above all the agricultural industries does need capital; the total invested in land and mills alone is now around \$1,000m and this, coupled with such matters as the 50 per cent sugar loss that can result from a severe freeze means that no one doubts the challenge that such an enterprise must present both to the suppliers and receivers of the supporting funds.

In this article it has been

realistic to highlight only two important agricultural industries of South Florida but taken as a whole, this agriculture region and indeed the entire state is rich in its diversity. Agriculture is also the fastest-growing Florida industry and a few years ago it was put appropriately under the microscope by the Institute of Food and Agricultural Sciences of the University of Florida, Gainesville. Their report was a lavish and compelling document that took as its theme the massive urban development of the State

and the ways in which agriculture might respond to it.

Emphasis was placed on teaching and research, on better utilisation of land, of water and of other resources, increased mechanisation with a concomitant solution to the unemployment it would create and a means of overcoming the associated additional fuel burden.

But central to the whole business of agriculture was a realisation that the ways to attract credit and capital, the life-blood of the industry, were either product diversification with the risk spread among enterprises or integration through multiple levels of the production-processing-distribution chain. Both probably the greatest challenge of all to those in Florida's agricultural management.

Nicholas Edward

## Coral Gables

CONTINUED FROM PREVIOUS PAGE

regional headquarters of Latin American and European companies. Volvo and Tate and Lyle have offices there.

One factor which accounts for the development of Coral Gables as a centre for the location of regional headquarters of multinational companies was a decision by the city to go out and campaign to attract such commercial enterprises in an effort to offset the serious decline in its major industry, retailing. The city had noticed that Exxon's regional headquarters was there, having been moved from Montreal, and it decided to see if other companies with Latin American interests could be attracted.

It is this evangelical fervour which probably helps to account for the fact that it was Coral Gables not Miami or some other city which attracted the early regional headquarters. A factor that had been resolved however, the city has developed a natural magnetism in attracting more company offices.

One senior executive in charge of the local operations of a large U.S. multi-national argued that the mere presence in the city of so many executives interested in Latin American business and with knowledge of the countries made Coral Gables an attractive location. An information network had developed through which executives were able to swap impressions of trading conditions or political developments in different markets, he said.

Another factor which has contributed to the development of

the city as a regional headquarters has been the rising cost of keeping American executives abroad, especially with changes in tax laws which have, in effect, required the U.S. companies to pay U.S. income taxes since these are not fully offset against overseas tax payments. Fears about the safety of senior executives in some countries are another factor.

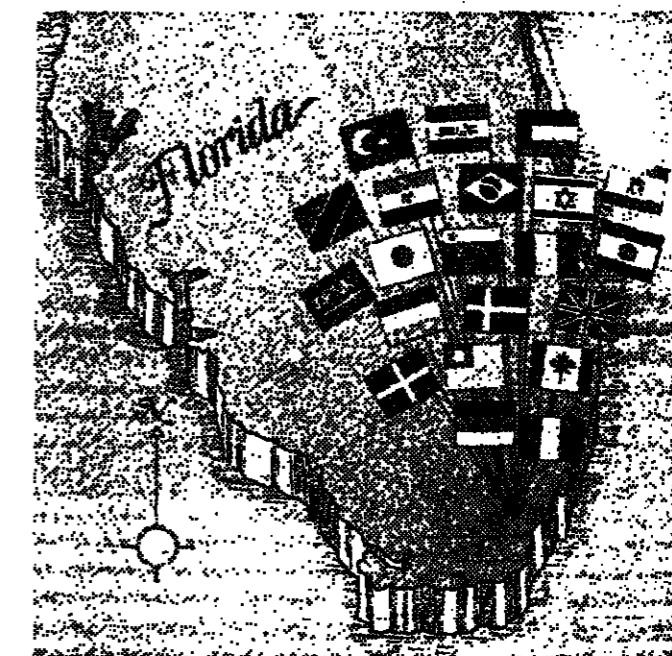
In his study of the "global cities" phenomenon Mr. Heenan cited such factors as political stability, supporting infrastructure, ease of communications and the cost of maintaining expatriate staff as factors in companies' decisions on locating their regional headquarters.

Coral Gables scores well on these, particularly in relation to air transport communications—Miami Airport is only ten minutes away.

It has another advantage too in that it is easy to get foreign language-speaking staff because of the spreading bilingualism in the Miami area. Also, Miami is becoming a more and more attractive place for South American businessmen to visit and work in.

The expansion of the international banking activities in the city will reinforce this, although this development is of less direct importance to the regional headquarters themselves since key financial decisions are most often taken at corporate rather than regional head offices.

Stewart Fleming



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Table listing various unit trusts such as Abbey Unit Trst. Mgrs., Friends' Provident Unit Trst Mgrs., and others, with columns for fund names, managers, and dates.

Mutual Unit Trust Managers

Table listing mutual unit trust managers including Abbey Unit Trst. Mgrs., Friends' Provident Unit Trst Mgrs., and others, with columns for fund names, managers, and dates.

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Table listing Schlesinger Trust Managers including Abbey Unit Trst. Mgrs., Friends' Provident Unit Trst Mgrs., and others, with columns for fund names, managers, and dates.

OFFSHORE & O'SEAS FUNDS

Table listing offshore and overseas funds such as Alexander Fund, Keyser Ullmann Ltd., and others, with columns for fund names, managers, and dates.

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London & Nth. Mnt. Assur. Ltd.

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Table listing various food and grocery stocks with columns for company name, price, and other financial metrics.

Table listing various hotel and catering stocks with columns for company name, price, and other financial metrics.

Table listing various industrial stocks with columns for company name, price, and other financial metrics.

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Table listing various bank and hire purchase stocks with columns for company name, price, and other financial metrics.

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Public Board and Ind.

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CHEMICALS, PLASTICS

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Small table of diamond and platinum stocks at the bottom left.

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Small table of options at the bottom left.

3-month Call Rates

Small table of 3-month call rates at the bottom left.



# Bank of England in gearing ratio clash

BY MICHAEL LAFFERTY, BANKING CORRESPONDENT

SOME of the Bank of England's proposals for judging the adequacy of banks' capital resources have come in for strong criticism from IBRO, the London clearing banks' research organisation.

IBRO says the Bank's proposal to apply a gearing ratio for prudential control purposes is "unconvincing" and should be dropped.

It expresses surprise that the 1974 banking crisis "has not engendered more jaundiced views of the riskiness of property," and says that the Bank's method of treating deferred tax could penalise conservative banks.

The gearing ratio is one of two measures of capital adequacy set out in a confidential Bank of England discussion paper which has circulated in the City for some months.

It would be arrived at by taking shareholders' funds, less fixed assets, as a proportion of total deposit liabilities. The second prudential measure, known as the risk assets ratio, specifies the extent to which individual risk assets need to be covered by a bank's capital.

According to IBRO the essential role of capital is to protect a bank against losses. "It follows from this that capital should be related to the risks inherent in the bank's business. A criterion based on risk assets makes sense from this standpoint, but one which relates capital to liabilities does not."

The Bank of England sees the gearing ratio as useful to depositors and other bank creditors because it may be calculated roughly from a bank's published accounts. IBRO claims, however, that its effect "will be to fossilise the procedures adopted by the market in appraising capital adequacy in their present unsatisfactory form."

"It is a vicious circle: the Bank calculates a gearing ratio because it believes the market is relying on a gearing ratio, and the market will continue to calculate a gearing ratio because it knows that the Bank is calculating one."

IBRO calls on the Bank of England to use its position to improve market practice, adding that clearing banks themselves "may need to refine their own views" in this area.

The paper goes on to say that it is largely because of lack of information in clearing bank accounts that analysts make calculations such as gearing ratios.

"They would be able to make more sophisticated calculations if the balance-sheet assets were classified more informatively—in particular if a clearer distinction were drawn between money market claims and lending to customers."

On risk assets ratio, IBRO finds the proposed treatment of infrastructure (fixed assets) "noticeably less stringent" than the Bank's previous statement on capital adequacy.

The "numerical guidelines" of the Bank's latest paper give a capital cover of only 15 per cent for property. This, says IBRO, will benefit the clearing banks in particular. It adds: "Actually, we are inclined to think that the Bank has gone rather too far."

"Certain types of infrastructure, such as purpose-built equipment... do require very high capital on the grounds that they may have no value to anyone else."

# Fed policies face fresh attack after money supply error

BY STEWART FLEMING IN NEW YORK

REPRESENTATIVE Henry Reuss, chairman of the House Banking Committee, has called two of the seven members of the Federal Reserve Board to hearings in Washington today into the reporting error which Wall Street investors claim cost them millions of dollars by reducing the value of their investments.

A full explanation of the circumstances which led to an over-estimate of \$750 in the size of the U.S. money supply on October 10 has yet to emerge. But a major New York bank, Manufacturers Hanover Trust, has admitted that it stemmed from a failure in its reporting system.

Just before the announcement of the incorrect \$2.8bn jump in the U.S. money supply on October 18, the Fed aggressively drained reserves from the banking system, tightening its money policy. The move sent stock and bond markets into a sharp decline, and short term interest rates soaring.

Federal Reserve Board chairman Mr. Paul Volcker, in an interview on U.S. television yesterday, attempted to deflect criticism of the Central Bank. He conceded that he was "not very happy" about the mistake. But emphasised that it was not the Central Bank's error and that the mistake had not affected "our subsequent actions" and that the Fed had always warned that weekly money supply data was "erratic at best."

Questioned about the political pressures on the Fed, Mr. Volcker stressed that the way the Central Bank was set up by Act of Congress insulated it to a degree from political pressure.

He pointed out that the Central Bank's policies had attracted widespread support in Washington, in particular from the Carter Administration which had "the same priorities on inflation as us."

It is too early to say how much political damage the Fed's new monetary policy may suffer as a result of the error and the central bank must hope that the furor which has erupted as a result of it will blow over.

There are some signs however that critics of the Fed's revised monetary policy and the record interest rates which have resulted from its October 6 anti-inflation package, will try to exploit the money supply miscalculation. Mr. Ray Marshall, the U.S. Labour Secretary, and the House majority leader, Mr. Jim Wright, have both criticised in the past week the Fed's tight money policies.

Mr. Reuss, who had initially supported the Fed's October 6 announcement of new techniques for controlling the money supply, last week shifted his ground.

In a lengthy statement on Friday he argued that the high level of interest rates which had resulted from that policy—the commercial bank prime lending rate has jumped from 13 1/2 per cent to 15 per cent—might be counter-productive in fighting inflation.

Instead, he now called for stricter direction of bank lending by imposing reserve requirements not on the banks' deposit liabilities but on their loans. By varying reserve requirements on different types of loans, Mr. Reuss says bank lending could be channelled into productive sectors of the economy.

# THE LEX COLUMN Test for the BP underwriters

THIS IS the week when the City's underwriting institutions have to show their mettle. Short of any major upset, the Government's offer for sale of 5 per cent of BP's capital will be priced tomorrow and underwritten on Wednesday. What should the price be?

There is a good case for pitching the offer right up to the market price, which closed \$p lower at 372p on Friday. In many ways, this is more like a U.S. type of offering—where the price is the last thing to be fixed—than a traditional UK exercise, where an issue is first priced and then launched on a started world.

Pretty well everything is already known about the timing and size of the BP issue, and there are unlikely to be any big surprises in the prospectus. All this should already be in the market price, so there is no argument for a discount of any size.

Indeed it might be possible to imagine an offer above the market price. This is because it is being handled on a partly paid basis, with less than half the money being called initially and a delay of two or three months before the second and final payment.

There is a tangible value to the investor in this delay. Less quantifiably, there is an option element in the opportunity which it provides to take a geared up view of the oil sector through to the turn of the year.

Of course the underwriters will be exposing themselves to a volatile stock market for nine days. And there is room for debate about what really represents a tested market price for BP, since the shares have swung from 332p up to 402p and back down to their current level in the last fortnight.

But BP is a stock about which most underwriters should be happy to take a long-term view. If the market moves against them in the very short term they will be happy to keep the shares.

This is because the big funds which like to match their portfolio against the All-Share Index always have difficulty in getting a satisfactory weighting in the stock since so much is held by the Government. Moreover, there are going to be no complications this time to be no simultaneous offer in the U.S., as happened with the Government's last sale in 1977.

## Bullion buying

The immediate reaction to the news that UK citizens can once again own gold bullion has been unenthusiastic. The prospect of paying 15 per cent value added tax on any purchase is enough to put most investors off and, aside from selling kruggerands, the London bullion houses are not geared up for supplying sizeable retail demand.

When the U.S. legalised gold ownership at the end of 1974 a number of dealers expected a surge in demand from small investors. If every American was to buy just one ounce of gold this would be the equivalent to seven times the free world's annual gold production, so the argument went. Superficially, the sums looked very attractive and Samuel Montagu, for example, teamed up with Merrill Lynch, the biggest stockbrokers in the world, and Handy and Harman, to sell gold to U.S. citizens.

But the rush of small investors never materialised. Freedom to own gold in the U.S. coincided with the peak in the price and over the next 18 months the price fell spectacularly. The expensive and complicated logistics of keeping small amounts of gold in hundreds of offices around the country to meet the virtually non-existent demand soon led to a change of tactics.

Dealers turned their attention to the rapidly growing futures markets and gold coins. Last week London bullion dealers were suggesting that a similar sort of pattern could develop in the UK.

It is far too early yet to know just how UK citizens and institutions will react to their new-found freedom to own gold. Over the last decade it would have been a very good investment. A £100 invested in bullion at the end of 1970 would now be worth £144 which compares with £93 and £174 for the same investment in the FT Gold Mines index and the FT All-share index respectively, over the same period.

## Gold certificates

The more adventurous UK institutions might be tempted to follow the U.S. example and there is talk about establishing a gold futures market here in London.

However, an alternative form of investing in pure bullion, as opposed to shares, would be via gold backed certificates. These are already catching on in the U.S.A. and have two big advantages. They avoid sales taxes and they also get rid of the physical problems of storing gold.

A number of banks, including Citibank and First Chicago, are offering gold certificates.

In Citibank's case the minimum investment is \$1,000 (\$475) and it charges 3 per cent commission and an annual storage fee of 1/4 of a per cent.

The banks get around the sales tax problems by holding the gold for their customers accounts in vaults outside the U.S. or in Delaware, which has no sales tax. It may be possible to find a similar way around UK VAT.

# Treasury predicts steep fall in metal-using industries

BY HAZEL DUFFY, INDUSTRIAL CORRESPONDENT

A CONFIDENTIAL Treasury economic projection shows a steep decline over the next four years in Britain's metal-using industries.

According to the forecast, motor vehicle production will fall by 21 per cent by 1983, mechanical engineering by 23 per cent, and "other metal goods" by nearly 25 per cent.

The Treasury assumes that the current loss of UK competitiveness will be restored by the end of 1980, but that the position will then deteriorate.

Although the projections are the first estimates from a mathematical model, and are subject to modification, their very existence could prove embarrassing to the Government.

Ministers have been warning that the outlook for sectors of industry is bleak in the short term both as a consequence of the Government's overall policies and the expected recession world-wide. But the Government's message to industry is that in the medium term, when its policies have had time to produce results, the situation will start to improve.

The industry, however, is not particularly impressed by this argument. It points out that the Treasury's forecasting record has not been at all bad in the past, and is taking the view that these figures would probably have not been very different even if the policy changes had not been taken into account.

Leading people in the industry have been sufficiently disturbed to seek some explanation from the Treasury. Their feeling is that such a radical decline in these major industries must call for the introduction of new policies by the Government.

It is believed that the energy-producing industries and the motor industry may also have been given some indication of what is in the forecasts.

The motor industry will probably not dissent much from the Treasury short-term prediction of a fall in production but the feeling in the industry is that within two to three years, the UK should begin to recover some of the ground that it has lost.

The Department of Industry which received the industrial sector forecasts from the Treasury about a couple of months ago will not comment on them except to say that they are only at a "very preliminary stage."

The figures in question have been passed this year to the aluminium industry. The industry's private reaction is one of confusion. One economist for a leading aluminium producer said he was amazed that the Treasury could ever have passed on forecasts which indicate such a dramatic decline and that these must be unrealistic.

# Manley in bid to find Rhodesia compromise

BY BRIDGET BLOOM, AFRICA EDITOR

EFFORTS to bridge the wide gap between Britain and the Patriotic Front over a proposed interim government for Rhodesia gathered pace yesterday as the Lancaster House conference moved into its eighth week.

On Friday, the two sides seemed poised for a showdown as the Front listed far-reaching objections to the British plan for an interim administration, accepted in its "broad principles" by the Salisbury delegation of Bishop Abel Muzorewa.

Yesterday, however, a major diplomatic effort began to find possible areas of compromise. The moves centred around Mr. Michael Manley, the Jamaican Prime Minister, who was one of the key figures in the formulation of the Commonwealth agreement on Rhodesia reached at last August's Lusaka summit.

Mr. Manley, who is in London after a Middle East visit, is expected to see Mrs. Thatcher, the Prime Minister, this evening.

Also involved in intense behind the scenes meetings yesterday were Mr. Shridath Ramphal, the Commonwealth Secretary-General and representatives of African frontline states and other Commonwealth countries.

While there was no official comment on any of the meetings held yesterday, observers believe their prime purpose is to clarify the Commonwealth position on the new British proposals as well as to determine the degree to which either Britain or the Front can compromise in the interests of an all-party Rhodesia agreement.

At the centre of the argument between Britain and the Front is the proposal to control administrative and security arrangements for the run-up to the general elections in Rhodesia.

Britain proposes to appoint a British Governor with full legislative and executive powers who would, however, run the country through the existing Civil Service and, it would appear, police and army.

On Friday, the Front said such arrangements would give undue advantage to Bishop Muzorewa and insisted the United Nations should be involved in both a civilian and military capacity.

# Rate support grants to go

BY PAUL TAYLOR

THE GOVERNMENT is planning to sweep away the present rate support grant system for funding local government.

The new system, to be introduced for 1981-82, will involve much lighter Government influence over local authority spending plans and hence over the level of rate increases.

Proposals for a "unitary" grant system are expected to be included in the Local Government, Planning and Land Bill, to be published later this autumn.

Under this system each local authority will be told how much it should spend on services and how much it should collect through rates. The balance between expenditure and rate income will be made up by Government grants.

At present local authorities tell the Environment Secretary how much they want to spend on providing services.

The grant paid to an individual local authority is linked directly, through a complicated statistical formula, to how much the authority has previously spent on services.

Once the grant has been set a local authority is entirely free to decide on the level of services it will provide and to adjust its rate demands to meet anticipated expenditure.

The Government is not involved in approving the level of services or indirectly telling local authorities how much their rates should be.

The proposals are expected to be fiercely opposed by the local authorities who will argue that the new grant system represents an unnecessary attack on local government's jealously-guarded financial autonomy.

Behind the move is concern in Whitehall at the growth in local government expenditure—expected to total about £19bn in 1980-81—and the probability of substantial rate increases next year, perhaps averaging between 20 and 30 per cent.

Mr. Michael Heseltine, Environment Secretary, has expressed concern about the workings of the present support grant system—in particular the use of a complicated statistical formula to decide local authority needs.

He appears to have been convinced by senior civil servants in the Department of Environment, who have long favoured the unitary grant system, that such a system could solve both the problems of the present grant system and provide greater central control on overall council spending.

# Callaghan faces further challenges from Left

BY OUR LOBBY STAFF

LABOUR Left-wingers are to keep up their pressure on Mr. James Callaghan this week with two more challenges to his authority as party leader.

On Wednesday afternoon, his call to the Parliamentary Labour Party, to support him in demanding proper representation for MPs on the inquiry into the party's organisation is to be formally opposed by the Left.

Earlier in the day, Mr. Norman Atkinson, the party treasurer, will again raise the formal question of who should have control of the £165,000 of public money granted to the Opposition.

Compared with the defeats already suffered by Mr. Callaghan, the challenges from the Left this week are relatively insignificant but they will not mend the divisions in the party nor improve Mr. Callaghan's humour.

The party's National Executive Committee has already ruled that PLP representation on the committee of inquiry should be limited to Mr. Callaghan and Mr. Michael Foot, his deputy.

This followed a meeting of the PLP at which it was clear that a majority of MPs would regard such representation as inadequate. For technical reasons, however, a vote was not taken after last week's meeting of the PLP.

This week, MPs are asked to vote on a motion put down by Mr. Callaghan, apparently to give the Shadow Cabinet a formal mandate to contest the NEC decision. The Shadow Cabinet is to meet the NEC shortly—probably next week and though Mr. Callaghan's motion looks like getting a majority of about two to one in Wednesday's vote, the feeling seems to be the NEC will not take much notice of it.

Strategists on the Right seem to place more faith on what they admit is the slim hope that Right-wing trade unionists may demand stronger representation for MPs. If this fails, then their efforts will probably concentrate on the possibility of a panel of MPs producing a minority report which could then be used as the basis of a counter-debate on the future of the party.

## Weather

UK TODAY  
CLOUDY in South-East, becoming drier. Some sunshine, but showers in Scotland and N. Ireland.  
S.E. England, E. Anglia, Channel Isles  
Cloudy. Light rain at first, becoming drier. Max. 12C (54F).  
S. E. and N. England, Midlands  
Mist or fog patches. Sunny periods. Max. 11C (52F).  
S.W. England, Wales  
Cloudy, bright on sunny intervals. Max. 12C (54F).  
I. of Man, W. Scotland, Orkney, Shetland, N. Ireland  
Cloudy, occasional showers. Max. 10C (50F).  
Lakes, Borders, Rest of Scotland  
Sunny periods, scattered showers. Max. 10C (50F).  
Outlook: Rain spreading to all parts.

	Y'day	Today	Y'day	Today	
	midday	midday	midday	midday	
Algeria	19	28	Lisbon	18	61
Amst.	20	28	Lombard	9	48
Amst.	20	28	London	11	52
Athens	16	51	Luxemb.	8	46
Bahra.	32	38	Luzon	23	81
Barcel.	17	53	Madrid	13	55
Batavia	10	20	Manila	12	54
Bombay	12	24	Medan	23	73
Berlin	8	43	Melb.	14	57
Birm.	9	48	Mil.	8	43
Bomb.	15	33	Minn.	11	54
Buenos	10	50	Montev.	9	48
Brussels	9	46	Munich	7	45
Budapest	20	45	Nairobi	23	73
Buenos	10	50	Norfolk	17	63
Casablanca	19	28	Ny. York	8	46
Cape T.	18	24	Oak.	1	30
Cebu	15	29	Osaka	11	52
Canton	15	29	Perth	30	87
Canton	15	29	Prague	6	43
Colombo	12	24	Reyk.	0	32
Colombo	12	24	Rio de J.	27	80
Colombo	12	24	Rome	17	68
Colombo	12	24	Saltbr.	9	48
Colombo	12	24	Singap.	32	87
Colombo	12	24	Stockh.	3	37
Colombo	12	24	Sydney	20	68
Colombo	12	24	Taipei	17	63
Colombo	12	24	Tehran	15	60
Colombo	12	24	Tokyo	25	77
Colombo	12	24	Toronto	8	46
Colombo	12	24	Tripoli	20	68
Colombo	12	24	Vancouver	10	50
Colombo	12	24	Vienna	8	46
Colombo	12	24	Warsaw	3	37
Colombo	12	24	Zurich	8	46

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